# ANNUAL REPORT
2014-15

*A pure start to life!*

BELLAMY'S

**BELLAMY'S AUSTRALIA LIMITED**

This report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

## CORPORATE DIRECTORY

### Directors

**Rob Woolley**
(Chair)

**Laura McBain**
(Managing Director and Chief Executive Officer)

**Ian Urquhart**

**Michael Wadley**

**Launa Inman**

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### Company secretary

Brian Green

### Location of share registry

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Bellamy's Australia Limited
ABN 37 124 272 108
ASX Code: BAL

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# Message from the Chairman and Managing Director

## When we were introduced to the Bellamy's business around 10 years ago, each of us was drawn to a compelling belief that Bellamy's was a real opportunity to make a difference.

Our belief was partly compelled by the emerging trend toward healthy foods, wellbeing, and organic – however these ideas were still niche, small, fragmented and little understood by the wider market. At its core, our passion for Bellamy's came from a simple philosophy: that as parents we want to give our children the purest, most wholesome nutrition available.

For us and Bellamy's Organic, it's our firm belief that babies everywhere deserve to start life with three basic necessities: the love and respect of their parents, the safety and security of a loving home, and clean, wholesome food to eat. For our part, it's our mission to try to fulfill one of these necessities by producing wholesome, organic food for babies and toddlers.

We want parents everywhere to be able to choose to give their children what we call a Pure Start to Life.

Being organic means that there are no GM ingredients, no hormones, no chemical fertilisers or pesticides. It relies on principles of sustainable farming, social inclusion, animal welfare and care for our environment.

Organic food. Or as our grandparents called it, food.

Our belief in our purpose and our mission has led us to a path of growth, development and sophistication of our business, enabling us to continue to deliver growth over the long term.

Early in the business, we took the strategic decision to remain flexible and agile by remaining unencumbered by factories. Because of this, we are able to grow rapidly by working with multiple talented manufacturers, suppliers and organic ingredient providers to develop world-class products across multiple subcategories of the baby food industry. It has also enabled us to deliver 50 different products and truly offer a complete organic solution for babies from birth.

In doing so, Bellamy's is able to focus on the core of our business, which continues to be reaching deep distribution in the markets in which we operate, building a strong sustainable long-term supply chain, strong branding and effective marketing activities.

This year has seen Bellamy's continue to roll out distribution across Australia increasing our footprint in retailers across the country. We now service more than 700 retailers across Australia directly through our sales team, while continuing to support our longstanding business with Australia's major retailers.

In China, we are observing a significant dynamic shift away from consumers purchasing infant formula through traditional retailer platforms to instead purchasing through online platforms, particularly in cross-border transactions. This has meant that our sales to Chinese customers have grown directly through our sales to our China agent, and through sales from Australian retailers to consumers in China. To directly capture the benefits of this transition, from April 2015 we have opened the Bellamy's tmall.hk flagship store to retail the entire Bellamy's range directly to consumers in China via the China free trade zones. We anticipate further e-commerce opportunities to develop through FY2016.

The significant growth achieved by Bellamy's over the last 12 months has been supported by our deep focus on developing the organic supply chain, particularly the growth of available organic ingredients and manufacturing availability. In July we signed a six year agreement with Tatura Milk Industries Ltd, a wholly owned subsidiary of Bega Cheese Limited, for the supply of infant formula. This agreement reinforced the strong relationship that has developed with Bega over the preceding eight years as the first manufacturer of Bellamy's infant formula products.

In marketing and branding, we continue to grow our brand awareness utilising digital and social media. With a dedicated and highly talented marketing team, we are leaders in the baby food digital space. Our website is ranked in the top 0.3% of all active domains worldwide, and the most visited baby food brand site in Australia. Our Facebook followers have reached more than 50,000, which is the largest fan base for any baby food brand in Australia. We are not at the same levels in China and South East Asia markets, however our opportunity is to leverage from our Australian experience and expertise.

Bellamy's has experienced continued growth over many years and FY2015 has been exceptional, achieving revenue growth of 156% from the prior year and delivering profit growth of 617% in NPAT and 497% in EBIT from the prior year.

Our story and our success, is due to the commitment and dedication of all the people who work at Bellamy's and the engagement and passion of our suppliers and manufacturers in the organic food industry. We congratulate them on their achievements over the past 12 months and thank them for their support to Bellamy's to reach our targets and convincingly surpass them.

Thanks again for your continuing support.

Rob Laura

**Rob & Laura**

# Company Overview

Bellamy's is an Australian producer, supplier and marketer of 100% organic baby food and formula. With its headquarters in Tasmania, Bellamy's offers a range of organic food and formula products for babies and toddlers, starting with an organic infant formula suitable from birth.

Bellamy's products are distributed in Australia, Vietnam, Singapore, Malaysia, Peoples Republic of China including Hong Kong, and New Zealand. The products are also available through multiple online retailing platforms.

Bellamy's has a deep understanding of the complex organic global supply chain and through strong relationships with key suppliers has been able to promote and develop the organic food industry. The business does not own or operate its own manufacturing equipment, but instead works closely with farmers, manufacturers and various supply chain partners to deliver high quality organic foods to babies and toddlers.

Bellamy's aims to be a world leader in organic infant nutrition. From our deep roots in the Australian supermarket and pharmacy landscape, Bellamy's aims to leverage on our understanding of parents desire to offer their children pure, simple, uncomplicated nutrition and reach new markets across the globe.

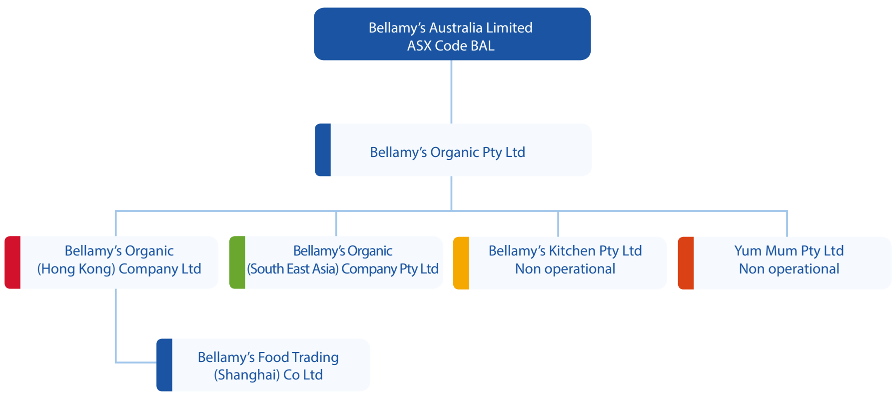
**Strategy**

Bellamy's has developed a comprehensive strategy to deliver continued growth through:

- Volume share growth in Australia
- Distribution growth in China and South East Asia
- Expansion into new export markets outside of Asia
- Innovating new products within the baby category
- Category development outside of the baby category by leveraging organic nutrition opportunities
- Developing long term relationships with key organic ingredient suppliers and manufacturers that support mutual growth.

**Corporate Structure**

Within the consolidated group, all subsidiary entities are 100% owned by Bellamy's Australia Limited. Bellamy's Organic Pty Ltd is the principal operating entity with the group. Each of Bellamy's Organic (Hong Kong) Company Ltd, Bellamy's Organic (South East Asia) Pte Ltd and Bellamy's Food Trading (Shanghai) Co Ltd are entities involved in the distribution of Bellamy's products in relevant offshore markets. As at the date of this report, neither Bellamy's Kitchen Pty Ltd or Yum Mum Pty Ltd are operational.



# Review of Operations

Australia continues to represent the major proportion of our business through our supermarket and pharmacy networks.

## Our distribution

Overall, distribution has grown in FY2015 as demonstrated by net revenue growth of 156% since FY2014. Australia continues to represent the major proportion of the business through supermarket and pharmacy networks, contributing to 85% of net revenue in FY2015.

Bellamy's holds the view that in order to reach its potential, it is critical to develop strong and deep distribution in our geographical markets of choice. This was a key objective outlined at the time of the prospectus last year and the company has made it a priority this year.

In Australia, Bellamy's products are distributed in major retailers including Coles, Woolworths, Big W, Target, Costco, Chemist Warehouse, Terry White and Amcal. The business has also pushed deeper into independent supermarkets and pharmacies and now have increased direct on the ground sales representation. As a result, Bellamy's is now the market leader in Infant Foods in Pharmacy holding 56% market share and 15 of the top 20 selling products by value.
(Source: Aztec Scan Data, Total weighted data in dollars, Pharmacy Scan Data, Qtr to date 12th July 2015.)

Bellamy's view is that this demonstrates that with a strong brand ethic, dedicated professional sales people and strong entrepreneurship it is able to achieve a model for distribution that is repeatable across the globe.

Taking this philosophy, Bellamy's replicated a direct to market focus in Singapore during late FY2014 and since then revenues in Singapore have increased by more than 500%. During FY2015 Bellamy's increased ranging at Cold Storage and Fairprice, and added new chains such as Guardian and Watson pharmacy networks. In May 2015, Bellamy's commenced similar direct to market operations in Hong Kong.

In China, FY2015 was highlighted by a strong market shift toward online purchasing of imported infant formula products. Online trading of infant formula now contributes one-third of total infant formula sales across all brands in China. Sales have been primarily conducted through third party websites such as t-mall.com and jd.com, with delivery to consumers via free trade zones in China and local Chinese providers.

Reflecting the market dynamics, Bellamy's has seen a substantial shift toward online purchasing of its products within China. The purchasing behaviour is a reflection of the Bellamy's Chinese consumer demographic: technologically savvy, well-informed, affluent, with high expectations of product quality and service. These purchases are being conducted via Bellamy's managed online stores in China; and by non-related parties that source Bellamy's products from Australian retailers and then retail Bellamy's via e-commerce platforms. It is estimated that approximately 30%-40% of Bellamy's sales in Australia are servicing customer demands in China, based on the retail value of sales of Bellamy's products on t-mall.com and taobao.com of 132.1m RMB (approximately AUD$27m) for the six months from 1 January 2015 to 30 June 2015.

Toward the end of March 2015, Bellamy's opened its online tmall.hk flagship store, where customers can now purchase the entire Bellamy's range of products through the Tmall Global platform. This is in addition to the Tmall China platform where Bellamy's has retailed its formula products in China since 2014.

# Review of Operations Continued

The development of our e-commerce channel aims to capture the higher retail selling price of our products in China, and ensures our place in the e-commerce trend. Initial results from these activities are encouraging and it is anticipated that this will form an increasing part of our trade in China in future periods with both Tmall and other e-commerce platforms.

Sales to SIIC were lower than expected this year as the business reallocated available stock to Australian markets as competition between retailers in China with e-commerce increased. Bellamy's continues to build a focused and sustainable market presence particular in key mother and baby chain stores (KMBS) through its increasing distributor network with more than 30 distributors across China cities and regions. Bellamy's products in Walmart have not met commercial success, and this is in line with other premium brands that launched in Walmart at a similar time. Research is indicating that the stronger brands in the larger hypermarket stores in China tend to be brands aimed at mid-market and with lower retailer prices. For this reason, Bellamy's has reassessed its Walmart business, and given the demand in other sectors, considers it more beneficial to focus on e-commerce and KMBS opportunities.

In Vietnam and Malaysia, Bellamy's continues to build strong partnerships with local distributors to better facilitate pathways into these markets. Recently, the company received Malaysian government approval for its formula products to access the market. Since then, trade has commenced and will build on existing food sales. In Vietnam, Bellamy's have appointed new distributors in late FY2015 to improve its footprint in southern Vietnam and build on the existing market presence.

## Our products

Bellamy's produces 47 unique Australian made and organic certified products including infant formula, toddler milk, snacks, cereals, pastas and ready to eat pouches. *See page 12 for a full list of our product range.*

Formula comprises approximately 88% of Bellamy's sales. There are three products within this range:

Step 1 Infant formula -
suitable from birth to 12 months

Step 2 Follow-on Formula -
suitable from 6 to 12 months

Step 3 Toddler milk drink -
from 12 months +

Bellamy's produces two variants of each product. One variant is made for the Australian and export markets. The other is suitable for China only and designed to meet the different labelling and compositional requirements of the Chinese regulations.

Bellamy's range of cereals, pastas, ready to eat foods and other baby foods form an important part of the Bellamy's brand story as they deliver on the promise to offer a complete range of food from birth. Sales of non-formula products have grown by 170% over the last 12 months.

During FY2015, Bellamy's launched a new UHT supplementary drink, Ready to Go, in retailers across Australia. Sales for this product did not meet expectations and in April 2015 the range was withdrawn from the market. Long lead times, large minimum purchase quantities and supermarket requirements for minimum shelf life, resulted in manufacturing decisions to hold buffer stock that ultimately needed to be written off. The company has fully realised the costs in relation to this stock amounting to $0.7m for the second half of 2015, bringing the total for the year to $1.3m.

**Organic formulas and toddler milks**

Australia


China

# Review of Operations Continued

More recently Bellamy's have launched several new products, including:

- the launch of a customised ready to eat pouch range with Coles,
- new varieties of our ready to eat pouch range,
- a new cereal extension with our Rice and Prune Cereal, and a Vanilla Rice Custard,
- a new Fruit Bites snack range.

Initial sales of these products are in line with expectations and demonstrating the opportunities for continued growth for Bellamy's in the baby category driven by product innovation.

The product launches reinforce Bellamy's strategy to deliver innovative new products to the baby category. Bellamy's intends to continue this program into 2016, with research and development programs on a range of new products currently underway.

Bellamy's continues to explore new opportunities in categories outside of baby, to support long term growth of the brand in supermarkets and into Asian markets.

## Our supply chain and production partners

Bellamy's continues to work with a number of manufacturers across the product range, who each specialise in producing particular products. To achieve operational efficiencies, the company has developed varying production pathways including:

- Full service - Bellamy's provides artwork and specifications, develops and maintains all key ingredient supplier relationships resulting in products delivered to Bellamy's as completed goods.
- provides ingredients, raw materials and packaging to toll manufacturing facilities
- Contract packing services – Bellamy's provides semi-completed goods to packing services for final production.

Bellamy's continues to work with a sole supplier, Tatura Milk Industries Ltd, for the manufacturing of infant formula, and in July 2015 signed a six year supply agreement with them to continue the eight year relationship. Bellamy's is confident with the supply capacity at Tatura Milk Industries and the capability of the manufacturer to meet its product standards.

Bellamy's have identified strategic sources of organic raw materials and have established a broad network of suppliers which include large multinational organisations, privately owned international businesses and family owned operations. It continues to work with key suppliers to increase the availability of ingredients across the range of our products, and in particular looking toward increasing the outputs of organic farming in Australia to meet the forecast demands of Bellamy's Organic products.

The preservation of a stable ongoing business relationship with manufacturers and suppliers is a key determinant of Bellamy's ability to bring its range of products to the market in an efficient, timely and reliable manner. Therefore, the business continues to invest in upstream suppliers by offering long term supply contracts on terms which recognise the long term vision and planning required for sustainable organic food production.

**NEW organic products**


Pharmacy only product

Bellamy's produces 47 unique Australian made and organic certified products including infant formula, toddler milk, snacks, cereals, pastas and ready to eat pouches.

BELLAMY'S ORGANIC

**Product Range**


# Review of Operations Continued


## Our people and office locations

The Bellamy's team is primarily based in Launceston, with sales teams located in Sydney, Melbourne, Perth, Brisbane. We also have teams based in our office in Shanghai to support the China business and in Singapore to support the South East Asia business.

The rapid growth of the business through the last 12 months has accelerated our people needs across all aspects of our business. This has seen the number of employees increase from 24 last year to 46 as at the end of July.

Bellamy's also recognises the large number of people that work indirectly with Bellamy's in their roles at farms, food manufacturers, and logistics providers across Australia and internationally.

It is expected the Bellamy's team will continue to grow in Australia and Asia to support sales and marketing activities being undertaken in those markets.

Bellamy's is a strong advocate for diversity in the workplace, and 79% of the Bellamy's team are women. At an executive level, the company's two most senior people are women and at board level, two of the five directors are women. Bellamy's will continue to advocate for women in senior positions, and aim to foster a culture of diversity at Bellamy's through various ways, notably the promotion of people from within the Bellamy's team to leadership roles.

**Organic cereals & rusks**

# Review of Operations Continued

## Operating Results

**Financial Performance Indicators**

The table below outlines the key consolidated financial performance indicators for FY2015.

**Statutory Profit Results**

| | Financial Year ended 30 June 2015 | Financial Year ended 30 June 2014 | Period Movement Up/Down $ | Period Movement Up/Down % |
|---|---|---|---|---|
| **Gross Sales** | 131,671 | 52,088 | 79,583 | 152% |
| **Net revenue after trading rebates** | 125,302 | 48,896 | 76,406 | 156% |
| **EBIT** | 12,286 | 2,058 | 10,228 | 497% |
| **Profit before income tax expense** | 12,981 | 1,880 | 11,101 | 590% |
| **Income Tax expense** | (3,908) | (614) | (3,294) | 536% |
| **Net Profit after income tax expense** | 9,073 | 1,266 | 7,807 | 616% |

**Underlying Profit Results**[1]

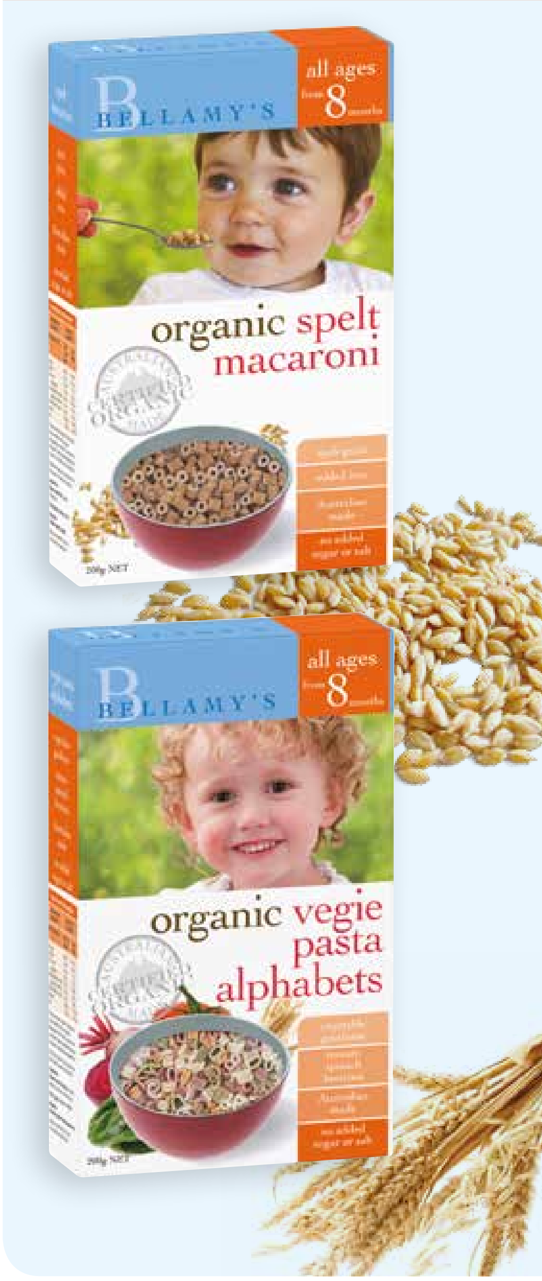
| | For the year ended 30 June 2015 | | | For the year ended 30 June 2014 | | |
|---|---|---|---|---|---|---|
| | Statutory Profit | Non-Recurring Items[2] | Underlying Profit | Statutory Profit | Non-Recurring Items[3] | Underlying Profit |
| **Gross Sales** | 131,671 | - | 131,671 | 52,088 | - | 52,088 |
| **Net Revenue** | 125,302 | - | 125,302 | 48,896 | - | 48,896 |
| **EBIT** | 12,286 | 1,312 | 13,598 | 2,058 | 1,400 | 3,458 |
| **Profit before income tax expense** | 12,981 | 1,312 | 14,293 | 1,880 | 1,400 | 3,280 |
| **Net Profit after income tax expense** | 9,073 | 918 | 9,991 | 1,266 | 980 | 2,246 |

(1) Bellamy's has followed the guidance for underlying profit as issued by the ASIC regulator Guide RG230 'Disclosing non-IFRS information'. The statement of underlying profit is unaudited. This statement should be read in conjunction with the financial statements as disclosed in this report.

(2) Non recurring items in FY2015 include $1.3m in relation to obsolete stock from the Ready to Go products.

(3) Non recurring items in FY2014 include and amount of $1.4million relating to a bonus paid to employees, directors and senior executives in June 2014.

**Organic pastas**



# Review of Operations Continued

**Revenue**

Gross sales for the group were $131.7m and net revenues after trading rebates were $125.3m. Bellamy's receives its revenue primarily from the sale of its products:

- directly to consumer operations (principally supermarkets and pharmacies)
- through distribution agents in offshore jurisdictions that then on-sell direct to consumer operations
- direct to consumers through Bellamy's online store and through e-commerce platforms, for example, tmall.com

Revenue is derived for each geographical market through a combination of these activities. Bellamy's sells selected products in each market depending on the market regulatory requirements and consumer preferences.

During the year, Bellamy's changed the accounting treatment of its trading terms with major retailers to be in line with industry peers. As a result, the company this year has disclosed gross sales and net revenue after allowing for trading rebates.

**Gross Profits**

The gross profit margin for the year was 32.9% compared to the prior year of 33.5% (adjusted).

As detailed above, Bellamy's changed the accounting treatment of its trading terms with major retailers during the year and as a result prior year gross profit margins are adjusted so that the results are comparable. Had the accounting treatment not changed, the gross profit margin for the year would have been 34.9% which compares to the prospectus forecast for FY2015 of 35.9%.

In the first half results for FY2015, the company reported that gross profits had been impacted by price changes from ingredient suppliers caused by increased demand for organic formula ingredients, particularly whole milk. Further the company indicated that it had undertaken several projects, including passing on pricing increases to retailers, leveraging the benefits of increased production volumes and working closely with manufacturers, distributors and suppliers to develop sustainable pricing solutions for the entire supply chain. In the second half of FY2015, the results of these projects have improved the gross profit margins from the first half.

**Distribution and Selling Costs**

Bellamy's utilises third party warehousing and logistics providers for the safe supply and delivery of products. One of the outcomes of the sales volume growth is the operational efficiencies that are achieved.

During FY2015, new warehouses in Australia, Singapore, Hong Kong and China were contracted to deliver services to the expanding sales network. We have gained service efficiencies in delivering to our customers through these additional warehouses.

Overall, distribution and selling costs have reduced as a percentage of revenue to 12.1% for FY2015 compared to the FY2014 result of 13.7%.

**Organic snacks**

# Review of Operations Continued

### Costs of Doing Business

In the past, Bellamy's has three main cost areas: marketing, employment and administrative expenses. A key focus has been the improvement of profitability through managing these costs whilst growing revenues. The results for this year are shown in the table below:

| Cost as a % of Revenue | Year ending 30 June 2015 | Year ending 30 June 2014 |
|---|---|---|
| **Employment costs** | 4.5% | 6.3%* |
| **Marketing costs** | 2.0% | 1.7% |
| **Administrative and other costs** | 4.6% | 4.6% |

*Adjusted to remove one off executive bonus of $1,400,000

This year we have been able to continue to reduce the employment costs as a percentage of revenue, building on the reductions achieved in FY2014. We anticipate the number of people employed by Bellamy's will grow over the next 12 months to support the growth of the business but are mindful of the opportunities to improve profitability by management of these costs against revenue.

Marketing has increased as a percentage of revenue by 0.3 percentage points compared to FY2014, however it is relatively low in absolute terms ($2.5 million). Bellamy's continues to utilise high impact, low cost, digital and social media as primary marketing methodology, coupled with sophisticated data analytic techniques. The company also invests in marketing research to track brand penetration and awareness.

### Depreciation and Amortisation

Bellamy's reports internally on product development costs. This year, with the decision to withdraw the Ready to Go product from the market, costs associated with the development of this range have been fully amortised. All other product development costs are amortised in accordance with accounting policies, and the total amortisation expense for the year was $0.24m.

### Shareholder returns

Bellamy's listed on 5 August 2014 and this is therefore the first year of trading as a listed company.

The company list price was $1.00 and at the end of the first day of trading was trading at $1.31. The company's share price continued to rise in FY2015. As at 30 June 2015 the company's share price was $4.37.

A fully franked dividend of 2.86c per share was declared by directors on 20 August 2015. This is a payout ratio on the FY2015 profits of 30% of NPAT. At the time of listing, the prospectus provided an indicative dividend payout ratio of 30% of NPAT for FY2015 and 30%- 40% of NPAT beyond FY2015.

## Review of Financial Position

### Cash from operations and other sources of cash

Cash balances as at end of FY2015 have increased by $27.6m to $32.0m. The two primary sources of this increase are the capital raising in August 2014 and increase in cash from operations.

During FY2015, the company was able to achieve positive cash flows from operations of $4.7m. The primary factor driving this has been strong sales, a strong debtors collection cycle and improved trading terms with suppliers.

The company also notes that inventory level management remains a focus of the business and growing inventory levels to meet demand continues. The strong demand for formula during the year has resulted in inventory turnover levels of 7 times.

In August 2014, Bellamy's raised $23.4m in capital on the listing of the company on the Australian Securities Exchange (net of

**Organic ready to serve baby foods**

# Review of Operations Continued

institutional placement costs). The purpose of these funds was to support the growth of the business via improved working capital capacity, marketing and expanding the product range. During the year this capacity has given the business confidence to explore supply chain opportunities and commit to improving operational support for its markets.

### Resources of the Company

Bellamy's holds a number of key resources that are critical to its success but are not fully reflected in its statement of financial position, including:

- Trademark registrations in multiple jurisdictions
- Global domain name registrations
- Active websites in Australia, China, Singapore
- Licenses to import infant formula to China
- Over 50,000 Facebook followers
- WeChat and Weibo operations in China
- Bellamy's Flagship store on t-mall.com

## Outlook

In Australia, the business will continue to deepen distribution both geographically and with new retailers. Opportunities for further growth are focused on increasing ranging across retailers with the full product suite, and developing new accounts with smaller retailer and pharmacy groups.

In China, the business is focused on growing a multi-channel distribution strategy and is continuing to develop online and offline distribution of Bellamy's range, with formula as the spearhead.

Bellamy's has renewed its agreement with SIIC, the state-owned entity that is the importer and agent for Bellamy's in China since 2013. This agreement continues through to 30 June 2016 and has similar undertakings to previous years for minimum annual volumes.

Recently, the Bellamy's China team has made people appointments specifically to develop the e-commerce business. We aim to capture more of the e-commerce market directly through multiple platforms. We acknowledge that this is a fast growing area and subject to regulatory change, and so we remain vigilant in our monitoring of the regulatory environment.

As noted previously, Bellamy's have launched new products in Australian stores recently, which will grow the footprint of Bellamy's in the baby food category. Increasingly the business will focus new product development toward the opportunities to develop products that specifically target Asian consumer preference.

Underpinning the sales and distribution opportunities in Australia and Asia, is a supply chain team that is firmly focused on growing our supply of organic ingredients and manufacturing capacity. The success of the FY2015 sales result was possible because of strong forward planning and strong commitment from our supply chain to meet the high demand for Bellamy's products.

As predicted, in FY2015 we were able to more than double our production for formula in particular. Historically, we have been able to achieve step changes in manufacturing capacity and organic ingredient availability as the result of forward planning, long range forecasts, and infrastructure and technology developments from our manufacturing and ingredient partners. The growth we have experienced in FY2015 has given confidence to a continuation of investment from our manufacturing partners and we reasonably expect step changes in availability into the future. At this stage, the first half of FY2016 will be supported by agreed and confirmed ingredient and manufacturing orders based on current run rates. It is expected prices for ingredients will remain reasonably stable for the first half of FY2016, and the business will continue to work closely with suppliers to deliver sustainable pricing solutions for the entire supply chain into the future.

Looking forward beyond FY2016, we are focused on continued expansion of distribution as outlined in our strategy, and supporting this through sustainable long term arrangements with ingredients suppliers, farmers and manufacturing partners. We also look to continuing to build our innovative organic product portfolio and to achieve distribution into new markets that meet the growth objectives of the business.

**Resources**


English website

Chinese website

## Risk Management

### Our Approach

Bellamy's consider the identification, evaluation and control of risks to the business and corporate strategy an important underpinning to growth. This is because risk management enhances the ability to understand and respond to the external environment, enhances the business's ability to meet its objectives, and provides confidence to investors for the future well being of the company.

Bellamy's continues to mature and refine its risk management approach. Risks are regularly monitored especially those internal and external risks that could have a material impact on objectives. Below details the material risks to the business and the approach to managing those risks.

### Key Risks

**Ingredients and Manufacturing**

Bellamy's Organic maintains its credibility and brand strength by ensuring all of its products are certified organic. This requires Bellamy's to rely on a complex global organic supply chain, where ingredients maintain their organic certification and are available in sufficient quantities to meet the demands of the business.

Bellamy's has a strict quality control system that enables the business to ensure it maintains its organic certification. Ingredients and ingredient suppliers are carefully selected and managed throughout the organic supply chain by a dedicated in house supply chain and quality team. Bellamy's has developed a deep understanding of the complex organic global supply chain, and has built strong relationships with key suppliers and manufacturers with whom Bellamy's plans for forecast growth.

**Product Contamination, Recall and Food Safety**

As a producer of food products, Bellamy's is subject to a general risk that any product contamination or product recall issues (however caused) may have a material adverse affect on the Company's brand and its financial performance.

The company employs a number of measures to minimise the risk in this area including food safety accreditations, a positive release program, substantial independent product testing through accredited laboratories, dedicated professional Bellamy's staff to audit factories and ingredient suppliers and having in place appropriate insurances.

**Change in Regulation**

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which Bellamy's sells or sources its ingredients and/or products. Bellamy's understands the sensitivity of the organic, baby and food industries. Through industry engagement and the appointment of personnel to particularly focus on and understand these regulatory issues in Australian and Asia, Bellamy's aims to respond efficiently and effectively to changes in regulation that may impact its business.

**Foreign Exchange**

Until recently, all business has been primarily conducted in Australian dollars. For the internal operations in the entities in Singapore and China, income and expenses are conducted in local currency. There are no hedging policies currently in place, although the business seeks to apply natural hedges wherever possible.

During the 2015 financial year, Bellamy's contract with its import agent in China was conducted in Australian dollars. The movement in the exchange rate between AUD and RMB was favourable for the agent. In the next year it is anticipated that prices will be negotiated to ensure any exchange rate advantages and disadvantages are allocated sustainably between Bellamy's and the agent.

Further, as previously noted, Bellamy's has commenced trading via the t-mall.com global platform. This platform allows Chinese consumers to pay for their goods in RMB via Alipay (an entity connected to T-mall). Alipay acts as a transaction facility and remits these funds to Bellamy's in Hong Kong Dollars. The exchange rate used by Alipay is reflective of the spot market price. Bellamy's will monitor this transaction basis as the monies traded increase proportionately to the business.

Additionally, Bellamy's imports many ingredients to meet demand, and has exposure to USD and EUR movements directly where it purchases ingredients on its own behalf, and indirectly through purchases of finished products where its product manufacturers purchase ingredients on its behalf. Bellamy's meets regularly with these manufacturers to agree on best policies for exchange rate management. As transactions of this nature are increasing the business will continue to monitor its foreign exchange risk management policies and look for best practice solutions.

# Board of Directors

## Rob Woolley

**Non-executive Chair (Independent)**

*Member of the Remuneration and Nomination Committee*

*Member of the Finance, Audit and Risk Committee*

Rob was appointed as Chair on the formation of the Company in 2007.

Rob is presently a director of Freycinet Coast Financial Services Ltd and a board member of Forestry Tasmania and the not-for-profit, Tasmanian Leaders Inc.

Previously Rob was Chairman of Tandou Ltd and Managing Director of Websters Limited, following twenty years as a partner at Deloitte.

Rob holds a Bachelor of Economics and is a Fellow of the Institute of Chartered Accountants.

## Laura McBain

**Managing Director and CEO**

Laura was appointed as General Manager of Bellamy's in 2006, Chief Executive Officer ("CEO") in 2011 and Managing Director and CEO in 2014.

Prior to joining Bellamy's, Laura practised as an accountant specialising in the areas of providing business advisory and taxation services.

Laura holds a Bachelor of Commerce and in 2013 completed the IMD Leadership Challenge. In 2013, Laura was named the Telstra Tasmanian Business Woman of Year and she went on to be named the Telstra Australian Business Woman of the Year for 2013 (Private and Corporate).

## Ian Urquhart

**Independent Non-executive Director**

*Member of the Remuneration and Nomination Committee*

*Chair of the Finance, Audit and Risk Committee*

Ian was appointed as a non-executive director and the company secretary on the formation of the Company in 2007. He resigned as Company Secretary in June 2014.

Ian brings a wealth of financial expertise and business experience to the Board, having previously been a Chief Financial Officer and director of the PGA Group Pty Ltd for over thirty years and teaching finance and accounting at Monash University.

Ian has a Bachelor of Commerce, a Masters in Administration and is a certified practising accountant (CPA)

## Michael Wadley

**Independent Non-executive Director**

*Chair of the Remuneration and Nomination Committee*

*Member of the Finance, Audit and Risk Committee*

Michael was appointed a Non-executive Director in 2014 and is based in Shanghai.

Michael is a principal at Wadley Consulting Shanghai Co. Ltd, a Senior China Consultant for Hopgood Gamin, on the Board of Directors of the Australian Chamber of Commerce in Shanghai and is a Co-Chair of the Chamber's Financial Services Industry Working Group, a committee member of the Australian China Business Council, Queensland, and a member of the Australian Institute of Company Directors.

Michael holds a Bachelor of Laws from Queensland University, and is admitted to practice the Supreme Court of Queensland, the High and Federal Courts of Australia, and is registered as a foreign lawyer in China and Hong Kong.

# Executive Team

**Launa Inman**

**Independent Non-executive Director**

Launa was appointed as a non-executive director of the company in February 2015. Launa brings to the board extensive experience in retailing, marketing (including digital technology and social media), finance and logistics. Launa is a director of the Commonwealth Bank of Australia and a member of the boards of the Alannah and Madeline Foundation and Virgin Australia Melbourne Fashion Festival. Her diverse experience includes terms as Managing Director and CEO of Billabong International (May 2012 to August 2013), Managing Director of Target Australia Pty Ltd (2005 to 2011) and Managing Director of Office Works (2004 to 2005). Launa's qualifications include: MCom, University of South Africa (UNISA), BCom (Hons) (UNISA), BCom (Economics & Accounting) (UNISA). She is a member of the Australian Institute of Company Directors and has completed the Wharton Business School executive program.

**Shona Ollington**

**Chief Financial Officer**

Shona was appointed as Chief Financial Officer ("CFO") in August 2014. Prior to joining Bellamy's Shona enjoyed a 16 year career at KPMG (Director since 2011) specialising in business advisory, taxation, business restructuring and business valuation. Shona is also an advisor to the Board of the University of Tasmania Academy Gallery. Shona holds a Master of Applied Finance (Kaplan Professional), is a Fellow of The Taxation Institute of Australia (TIA), has a Graduate Diploma of Financial Planning (Securities Institute of Australia), and is a Member of the Institute of Chartered Accountants in Australia (ICAA). Shona holds a Bachelor of Commerce with majors in Accounting & Human Resource Management.

**Brian Green**

**Company Secretary**

Brian was appointed Company Secretary in June 2014, he had been performing the role of the Chief Financial Officer ("CFO") of Bellamy's Organic since 2007. Brian's extensive management accounting experience has been gained through working as a management accountant for a wide variety of businesses, including many agribusinesses. Brian has also practised as an accountant in the areas of tax and business advisory work for a number of organisations including Deloitte Touche Tohmatsu. Brian is currently a Director of JR Green Pty Ltd (property management) and BRG Management Pty Ltd (accounting services). Brian holds a Bachelor of Business Accounting and is a Member of the Institute of Chartered Accountants (ICAA) and is a past recipient of its Tasmanian PY Award.

# Corporate Governance

## Bellamy's is committed to achieving and maintaining the highest standards of corporate governance.

### Bellamy's Corporate Governance Regime

The Board is responsible for the overall corporate governance of Bellamy's. The Board monitors the operational and financial position and performance of Bellamy's and oversees its business strategy, including approving the strategic goals of Bellamy's and considering and approving its annual business plan and the associated budget.

The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of Bellamy's. In conducting Bellamy's business with these objectives, the Board seeks to ensure that Bellamy's is properly managed to protect and enhance Shareholder interests and that Bellamy's, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board have developed and adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for Bellamy's business.

The principal governance related policies and practices which largely took effect from the ASX listing date (5 August 2014) are as follows:

- Corporate Governance Statement
- Board Charter
- Finance, Audit and Risk Committee Charter
- Diversity Policy
- Shareholder Communications Policy
- Continuous Disclosure Policy
- Securities Trading Policy
- Code of Conduct

The Corporate Governance Statement which was lodged with the ASX 21 August 2015, discloses the extent to which the Company will follow, the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations. The above policies and practices comply with ASX Corporate Governance Council recommendations, unless otherwise stated in the Corporate Governance Statement. In addition, many governance elements are contained in the Constitution.

Details of Bellamy's Constitution, key policies and the charters for the Board and each of its committees are available on the Company's website under the Governance tab at bellamysaustralia.com.au.

# Directors' Report

The directors present their report on the consolidated entity consisting of Bellamy's Australia Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015. Throughout the report, the consolidated entity is referred to as the Group.

## 1. Information about the directors

### 1.1 Names and particulars

The names and particulars of the directors in office at any time during or since the end of the year are:

**Rob Woolley**

Non-executive Chair (Independent)

**Laura McBain**

Managing Director and CEO

**Ian Urquhart**

Independent Non-executive Director

**Launa Inman**

Independent Non-executive Director

**Michael Wadley**

Independent Non-executive Director

The named directors held office for the whole of the financial year and since the end of the financial year except for:

Launa Inman – appointed February 2015

*See more information about the Board of Directors on page 26.*

### 1.2 Directorships of other listed companies

| Director | Company | Period of directorship |
|---|---|---|
| Robert Woolley | Tandou Limited | 2011 - 30 June 2015 |
| Launa Inman | Commonwealth Bank Ltd | Since 2011 |

### 1.3 Director shareholdings

The following table sets out each director's relevant interest in Bellamy's shares and options as at the date of this report.

| Director | Fully paid ordinary shares No. | Share options No. |
|---|---|---|
| Robert Woolley | 1,335,739 | Nil |
| Laura McBain | 1,565,376 | 1,779,210 |
| Ian Urquhart | 2,500,000 | Nil |
| Michael Wadley | Nil | Nil |
| Launa Inman | 22,000 | Nil |

During or since the end of the financial year, there were no shares issued to directors as a result of exercising options over unissued shares.

The shareholdings held by R Woolley, L McBain and I Urquhart are held by associated entities and are subject to voluntary escrow from the date of Official Quotation of the shares (5 August 2014) until the date three days after the date of which the audited financial results of the Company and the Consolidated Entity for the year ended 30 June 2015 are disclosed to the Australian Stock Exchange (ASX).

During FY2015 825,877 options were issued to Laura McBain under the Long Term Incentive Plan (LTIP) for senior executives of the Company. Refer to the note 1.7 of the Remuneration Report for further details.

### 1.4 Directors' Meetings

The number of Directors' meetings held and the number of meetings attended during the financial year were:

| Director | Board of Directors | |
|---|---|---|
| | Attended A | Held B |
| Robert Woolley | 13 | 13 |
| Laura McBain | 13 | 13 |
| Ian Urquhart | 13 | 13 |
| Michael Wadley | 13 | 13 |
| Launa Inman | 5 | 5 |

A Number of meetings attended during the year
B Number of meetings held during the time the Directors held office during the year.

With effect from ASX listing date 5 August 2014, the board established a Finance, Audit and Risk Committee and a Remuneration and Nomination Committee. Attendance at these meetings were as follows:

| Director | Finance Audit and Risk Committee | | Remuneration and Nomination Committee | |
|---|---|---|---|---|
| | Attended A | Held B | Attended A | Held B |
| Robert Woolley | 6 | 6 | 8 | 8 |
| Ian Urquhart | 6 | 6 | 8 | 8 |
| Michael Wadley | 6 | 6 | 8 | 8 |
| Launa Inman | 2 | 2 | 4 | 4 |

## 2. Share options granted to directors and senior management

On 29 June 2015, in accordance with the employee Long Term Incentive Plan (as approved by the shareholders at the annual general meeting on 30 October 2014), the company issued 1,449,080 conditional vesting options to the managing director and other senior management as part of their remuneration. The details of grant of options are set out below:

| Directors and senior management | No. of options granted FY2015 | Total No. of ordinary shares under option |
|---|---|---|
| Laura McBain | 825,877 | 1,779,210 |
| Shona Ollington | 216,793 | 216,793 |
| Brian Green | 107,386 | 180,719 |
| Other Senior Management | 299,024 | 1,179,023 |
| | **1,449,080** | **3,355,745** |

The exercise price for these options is $1.30, however the options can only be exercised if specific performance hurdles are met. These options expire two years subsequent to vesting, which should be no later than 29 June 2020.

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the Company or of any other related body corporate.

Further details about share based payments to directors and key management personnel are included in the Remuneration Report following.

## 3. Principal activities

The principal activities of the group during the course of the financial year were the sale and distribution of organic food and formula products for babies and toddlers. There were no significant changes to the principal activities during the year.

## 4. Review of operations

A comprehensive review of operations is set out in the front section of this Annual Report under Review of Operations.

## 5. Changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows.

Bellamy's Australia Limited (ASX:BAL) was admitted to the ASX official list effective 5 August 2014, following the issue of 25,000,000 ordinary shares at $1.00 each pursuant to a Prospectus and Initial Public Offer document dated 4 July 2014.

Share capital increased by $23,899,000 (from $15,756,000 to $39,655,000) as the result of the capital raising. The number of ordinary shares on issue is now 95,000,392.

Details of the changes in share capital are disclosed in note 20(a) to the financial statements.

## 6. Events since the end of the financial year

No matters or circumstances have arisen since 30 June 2015 which have significantly affected the Group's operations, results or state of affairs, or may do so in future financial years.

## 7. Future developments

The Group will continue to pursue its strategic business growth objectives through expansion into new and existing markets in Australia, Asia and beyond; leveraging Bellamy's brand awareness for new product development within the baby category; new category development and developing the organic supply chain to support growth.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report as the disclosure of the information is likely to result in unreasonable prejudice to the Group.

## 8. Environmental regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## 9. Dividends

On 21 August 2015, the directors declared a fully franked dividend of 2.86 cents per share. No dividends were paid during the previous financial year.

## 10. Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretary and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

# Directors' Report Continued

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

## 11. Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 12. Audit

### 12.1 Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43 and forms part of the Directors' report for the year ended 30 June 2015.

### 12.2 Appointment of auditors

On 30 October 2014, the directors appointed PricewaterhouseCoopers as the auditors, beginning with the year ending 30 June 2015.

### 12.3 Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 32 to the financial statements.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and ratified by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants'.

## 13. Rounding off of amounts

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

# Remuneration Report

## Message from the Chairman of the Remuneration and Nomination Committee

We are pleased to present the 2015 Remuneration Report for our first full financial year as a listed entity.

A key focus of this year's Report is to demonstrate how our remuneration framework is linked to the Group's performance.

The Group's performance over FY2015 has been strong, and the Board is focused on continuing to build and deliver value to shareholders, progress its growth plans and pursue international opportunities. Having a robust remuneration and reward framework that supports and encourages sustainable growth, and drives our people, is critical to the successful execution of our strategy.

To this end, the Remuneration and Nomination Committee and Board continued to refine the Company's remuneration framework during FY2015, having regard to advice from independent external advisors, Egan Associates, to ensure that the Company's arrangements remain fit for purpose and appropriately bench-marked.

In April the Board conducted a full review of the Company's remuneration and reward structures. The remuneration policy adopted by the Board is set to attract and retain the best available people and align their interests with those of shareholders. Critical for the Bellamy's Board, is ensuring that remuneration reflects the considerable growth in the organisation, from a revenue and value standpoint.

For FY2016 the Board has approved an average fixed remuneration increase for the Managing Director & CEO and CFO of 83%. In approving this increase, the Board was satisfied that the increase was necessary to ensure that the Company's remuneration levels are aligned with the market, and after regard to independent advice. The Board has also committed to revisiting incentive arrangements to ensure applicable hurdles remain challenging as the Company continues to grow. In addition, during FY2015:

- an enhanced short-term incentive plan was adopted that is designed to motivate and reward high performance; and
- a long-term incentive plan was implemented for eligible employees to align individual performance with the Group's objectives and shareholder interests. The plan allows employees to share in the future growth and success of the Group.

The Board sought independent advice from remuneration consultants Egan Associates on the appropriate level of board fees for the coming year. The Group continues to experience strong growth and increased complexity in the business model. To ensure that it is able to attract and retain directors with the requisite experience and skills to achieve effective and good governance, the Board resolved to increase non-executive fees for FY2016. Details of present and future director remuneration are included in the body of the remuneration report.

Shareholders will note that there is more detail included in this year's Remuneration Report as compared to last year's Report. For example, it includes additional information on remuneration outcomes and a summary of actual remuneration earned by senior executives during FY2015.

On behalf of the Committee, I commend the Report to you.

**Michael Wadley**

CHAIRMAN - Remuneration and Nomination Committee

## Key information

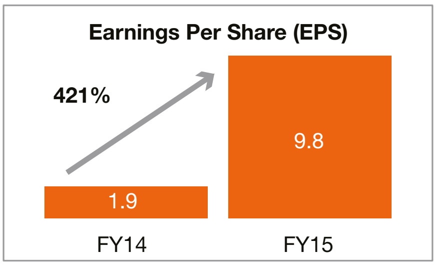
This introductory section is intended to provide shareholders with an overview of executive remuneration outcomes for FY2015 having regard to the Company's performance.

The information provided here is not audited and is in addition to the audited information set out in the formal Remuneration Report.

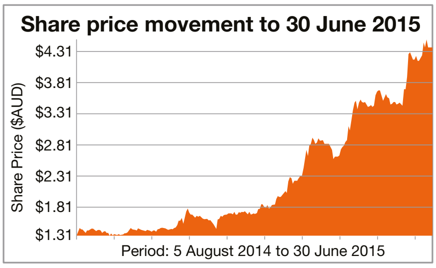
## Company performance

The Company's share price continued to rise in FY2015. On an absolute basis, the Company's share price has increased from $1.30 at closing on 5 August 2014 (the day the Company was admitted to the ASX Official List) to $4.37 as at 30 June 2015. The Company delivered:

- a total basic earnings per share of 9.8 cents (based on the weighted average number of shares on issue during the year),
- share price growth of 234%, and
- a full year dividend of 2.86 cents per share.




The graph above represents the growth in the Company's EPS from 30 June 2014 to 30 June 2015.




The graph above highlights the share price movement from 5 August 2014 to 30 June 2015.

Both of the above metrics directly affect the determination of the short-term and long-term incentive remuneration outcomes. The metrics are used to align executive reward with company performance and shareholder return.

# Remuneration Report Continued

## FY2015 Remuneration outcomes

The Group's strong performance was reflected in executive remuneration outcomes for FY2015.

The long term incentive (LTI) for FY2015 was divided into three tranches. For Tranche 1 (16 2/3% of the grant), the performance period was 1 July 2014 to 30 June 2015 and an earnings per share hurdle applied.

STI awards (in the form of cash and options) were determined based on:

- the extent to which the Company achieved its FY2015 Pro Forma forecast NPAT of $5.0 million; and
- other key performance indicators that were intended to ensure that the Company operates on a sustainable basis.

The 2014 Remuneration Report set out the terms of a one-off grant of options to the Managing Director and CEO. The Board has determined that 100% of the options granted vested based on the performance of the Group for FY2015 against the target Pro Forma NPAT of $5.0 million. As testing occurred following the end of FY2015, details will be reflected in next year's Remuneration Report. This outcome reflects the Group's strong financial performance in FY2015.

## Actual pay for FY2015

Details of senior executive remuneration for FY2015, prepared in accordance with statutory obligations and accounting standards, are contained in section 1.7 of this Report.

The remuneration calculations in the table in section 1.7 are based on the Accounting Standards principle of 'accrual accounting' and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year.

To supplement the required disclosure we have included the additional table below which shows the actual compensation realised by the senior executives who were key management personnel at the end of FY2015. The amounts disclosed above are considered more helpful for shareholders as it reflects the senior executives' 'actual pay' in FY2015. It is important to note that the STI and LTI amounts are amounts earned based on performance during FY2015 that vested and/or were paid in FY2015. As discussed in 'FY2015 remuneration outcomes', as STI and LTI does not vest until early FY2016 it will be reported in next year's Remuneration Report.

| Name | Fixed (including super) $ | Other benefits* $ | STI $ | LTI** $ | Total $ |
|---|---|---|---|---|---|
| Laura McBain | 312,791 | 12,324 | - | - | 325,115 |
| Shona Ollington*** | 170,567 | - | - | - | 170,567 |
| **Total** | **483,358** | **12,324** | - | - | **495,682** |

* Other benefits paid to Laura McBain relates to reportable fringe benefits provided during FY2015 of $12,324. Other benefits excludes the one-off cash bonus paid to Laura McBain in respect of past services of $700,000. This was previously disclosed in the remuneration report for FY2014.

**No options vested during FY2015

***Shona Ollington commenced employment with the Company on 18 August 2014.

## 1. Remuneration Report - audited

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Bellamy's Australia Limited's key management personnel for the financial year ended 30 June 2015 (FY2015). The term 'key management personnel' KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity (Group), directly or indirectly, including any director (whether executive or otherwise) of the Group.

The Report is divided into the following sections:


| Key section | Page |
|---|---|
| Key management personnel | 34 |
| Remuneration policy & strategic direction | 34 |
| Non-executive Director remuneration structure | 35 |
| Executive remuneration structure – fixed and short term and long term incentive arrangements | 36 |
| Relationship between remuneration policy and company performance | 39 |
| Employment contracts | 39 |
| Statutory remuneration details and other statutory disclosures (including key management personnel equity holdings) | 40 |


### 1.1 Key management personnel

The directors and other key management personnel of the Group whose remuneration details are included in this Report are set out below (divided into 'Non-executive Directors' and 'Senior Executives') The KMP, other than the non-executive Directors, are referred to throughout this Renumeration Report as 'senior executives'.

Unless otherwise indicated, individuals held their role for all of FY2015.

| Non-executive Directors | Role |
|---|---|
| Robert Woolley | Non-executive Chairman |
| Ian Urquhart | Non-executive Director |
| Michael Wadley | Non-executive Director |
| Launa Inman* | Non-executive Director |

*Launa Inman was appointed as a Non-executive Director on 18 February 2015

| Senior Executives | Role |
|---|---|
| Laura McBain | CEO & Managing Director |
| Shona Ollington* | CFO |

*Shona Ollington commenced employment with the Company on 18 August 2014.

There were no changes to KMP after the reporting date and before the Annual Report was authorised for issue.

### 1.2 Remuneration policy & strategic direction

Bellamy's remuneration policy aims to attract and retain the best available people to run and manage the Group and align their interests with shareholders.

In the case of executives, by providing a fixed remuneration component together with specific short-term and long-term incentives based on key performance areas affecting the Group's financial results, the Company seeks to create 'goal congruence' between shareholders and senior executives.

While Non-executive Director remuneration does not contain performance-based or 'at risk' components, Non-executive Directors are encouraged to hold shares in the Company.

### Role of the Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee includes assisting the Board achieve 'goal congruence' by seeking to ensure that Bellamy's:

- has coherent and appropriate remuneration policies and practices which enable Bellamy's to attract and retain directors and executives who will create value for shareholders;
- fairly and responsibly remunerates directors and executives having regard to the performance of Bellamy's, the performance of the executives and the general market environment;
- has policies to evaluate the performance and composition of the Board, individual directors and executives on (at least) an annual basis with a view to ensuring that Bellamy's has a Board of effective composition, size and diversity, expertise and commitment to adequately discharge its responsibilities and duties;
- has adequate succession plans in place (including for the recruitment or appointment of directors and senior management); and
- has policies and procedures that are effective to attract, motivate and retain appropriately skilled and diverse people that meet Bellamy's needs and that are consistent with Bellamy's strategic goals and human resource objectives.

Further information about remuneration structures and the relationship between remuneration policy and company performance is set out in sections 1.4 and 1.5 following.

### Engagement of remuneration consultants

During FY2015 the Board's Remuneration & Nomination Committee engaged Egan Associates Pty Limited (Egan Associates) as their remuneration consultant. The remuneration consultant was engaged by the Chair of the Committee and reported directly to the Committee.

In selecting the remuneration consultant the Committee considered potential conflicts of interest and required the consultant's independence from management as part of their terms of engagement. Where Egan Associates were asked to provide a remuneration recommendation in relation to the KMPs the recommendation was provided to and discussed directly with the Chair of the Remuneration & Nomination Committee. Egan Associates provided no remuneration recommendations directly to management. Egan Associates has confirmed in writing to the Chair of the Remuneration & Nomination Committee that their recommendations were made free from any undue influence by the Group's KMP. The Board is therefore satisfied that remuneration advice provided was free from undue influence by any of the Company's senior management.

The Company paid $22,470 (plus GST) to Egan Associates in respect of remuneration recommendations. In addition to remuneration recommendations, Egan Associates provided information on market trends to assist the Board in policy development having particular regard to incentive programs relevant to Bellamy's given its recent listing and international expansion. Information was also provided in relation to valuing equity instruments for accounting and disclosure purposes and discussions held with the Board providing an update on issues under consideration. The fees paid for these other services amounted to $30,618 (plus GST).

### 1.3 Non-executive Director remuneration structure

#### 1.3.1 Policy

Bellamy's remuneration policy for Non-executive Directors aims to ensure that Bellamy's can attract and retain suitably qualified and experienced directors having regard to:

- the level of fees paid to non-executive directors of other comparable Australian listed companies;
- the growing size and complexity of Bellamy's operations;
- the responsibilities and work requirements of Board members; and
- the skills and diversity of Board members.

#### 1.3.2 Current fee levels and fee pool

Under the ASX Listing Rules, the total amount paid to all Non-executive Directors in any financial year must not exceed the amount fixed in a general meeting of the Company. This amount is currently $600,000 as determined by Shareholders at an Extraordinary General Meeting held on 10 June 2014.

Currently, annual base Directors' fees are $125,000 for the Chair, and $55,000 for each other Non-executive Director. In addition, on an annual basis, the Chair of the Finance, Audit and Risk Committee is paid $5,000 and the Chair of the Remuneration and Nomination Committee is paid $5,000. Other committee members will receive $2,500 per annum. Superannuation is not included in these amounts.

Directors may also be reimbursed for travel and other expenses incurred in attending to Bellamy's affairs.

Non-executive directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services.

There are no retirement benefit schemes for directors other than statutory superannuation contributions, and directors' remuneration must not include a commission on, or a percentage of, the profits or income of the Group.

### Fee levels and proposed fee pool for 2016

The Board sought independent advice from remuneration consultants Egan Associates on the appropriate level of Board Fees for the coming year. The Group continues to experience strong growth and increased complexity in our business model. To ensure that we are able to attract and retain directors with the requisite experience and skills to achieve effective and good governance the Board resolved to increase Non-executive Directors' Fees for FY2016.

For FY2016, Non-executive Directors' annual fees will be $82,125. The Chair of the Board Committees (Finance, Audit and Risk Committee and the Remuneration and Nomination Committee) will receive an annual fee of $6,570 and Committee members will receive a fee of $3,285. The Chair will receive a fee of $219,000 and no extra fees for the membership of Committees.These amounts are inclusive of any superannuation entitlements which any Group company is required to make in respect of the payment.

The Board plans to increase the number of Non-executive Directors from 4 to 5 in the coming twelve months. To reflect the appointment of an additional Non-executive Director the Board will seek shareholder approval to have the fee pool increased to $1 million.

# Remuneration Report Continued

### 1.4 Executive remuneration structure – fixed and short term and long term incentive arrangements

Total KMP remuneration is made up of fixed remuneration and variable/'at-risk' performance based remuneration (in the form of short term and long term incentives).

The mix of fixed versus performance based remuneration that applied for FY2015 is set out in the table below.

| | % of Total Remuneration | | |
|---|---|---|---|
| | Fixed remuneration | Performance-based remuneration | |
| | | Maximum STI opportunity* | Maximum LTI opportunity** |
| **Laura McBain** | 42% | 25% | 33% |
| **Shona Ollington** | 54% | 27% | 19% |

* Assumes all applicable KPIs are achieved in full

** Assumes all applicable hurdles are achieved in full

#### 1.4.1 Fixed remuneration

The remuneration for KMP includes a fixed component comprised of base salary, and employer superannuation contributions.

Fixed remuneration is reviewed regularly by the Remuneration and Nomination Committee with reference to individual performance and relevant comparative compensation in the market.

KMP remuneration levels are market-aligned by comparison to similar roles in ASX-listed companies that have comparable revenues and financial metrics and are relevant to the executive's role, skills and experience.

#### 1.4.2 Short term incentive arrangements

In FY2015, KMP were eligible to receive a short term incentive cash award of up to 50% of their fixed annual remuneration (inclusive of superannuation).

For FY2015, the short term incentive was payable upon Bellamy's achieving its financial targets (budgeted EBIT) and other key performance indicators (KPI's) that were intended to ensure that the Group operates on a sustainable basis. The KPI's included:

- Financial Group performance;
- Financial business unit performance; and
- Non-financial KPI's relevant to the individual's role and responsibilities within the Group.

Prior to listing, the Company made a one-off grant of options under the employee share option plan as an additional short term incentive. This was previously disclosed in last year's Remuneration Report.

The Company has now adopted the following STI structure.

| | |
|---|---|
| **What is the STI plan?** | An annual incentive plan under which participants are eligible to receive an annual award if they satisfy challenging operational, strategic and individual performance targets.<br>Formal KPIs are notified to participants at the beginning of each year. |
| **What is the performance period** | 1 July to 30 June |
| **Are both target and stretch performance conditions imposed?** | Yes. STI opportunities are set as a percentage of executive salary, with a maximum opportunity of 50% and a target opportunity of 30%.<br>This ensures that target and stretch performance are rewarded. |
| **What are the KPIs?** | Performance is measured against:<br>• Financial Group performance<br>• Financial Business Unit performance<br>• Non-Financial KPIs relevant to the individual's role and responsibilities including:<br>o People and culture<br>o Market and business development<br>o Brand management<br>o Board and shareholder relations<br>o Supply chain and gross profit management<br>The STI plan applies more broadly beyond the KMP. KPI's vary depending on people's roles in each division. |
| **Why were the KPIs chosen?** | A combination of financial and non-financial KPIs have been chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support further growth. |
| **How are the KPIs measured (and why was this method chosen)?** | Performance against non-financial KPIs relevant to the individual's role and responsibilities is assessed annually as part of the broader performance review process for executives.<br>Financial KPIs are assessed quantitatively against predetermined benchmarks. |
| **How is the STI delivered?** | In cash |
| **Why does the Board consider the STI plan an appropriate incentive?** | The STI plan is designed to motivate and reward high performance. It puts a significant proportion of senior executives' remuneration at-risk against targets linked to the Company's performance objectives and therefore supports the creation of "goal congruence". |
| **What were the STI outcomes in FY2015?** | As flagged above, no STI vested or was forfeited in FY2015 as testing occurred after the end of the reporting period. STI outcomes will be reported in next year's Remuneration Report. |

### 1.4.3 Long term incentive arrangements and the employee share option plan (ESOP)

LTIs are delivered in the form of options under the employee share option plan **(ESOP)**.

The granting of options under the ESOP is considered an effective means of motivating, retaining and attracting high quality employees and aligning executives' interests with shareholders. All options issued have an exercise price and only become valuable to the extent that the share price rises above the exercise price.

Option grants will be subject to the ESOP rules and other regulatory requirements, including the ASX Listing Rules.

It is envisaged that the ESOP will form an integral part the of Bellamy's long term incentive arrangements.

The terms and conditions that applied to the FY2015 grant of options are set out below.

| | |
|---|---|
| **What are options?** | An option to acquire a fully paid ordinary share in the Company (subject to payment of an exercise price), that will only vest and become exercisable if performance hurdles are satisfied. |
| **Do senior executives pay for options?** | Options are granted as part of remuneration and therefore there is no payment provided in connection with a grant.<br>However, senior executives are required to pay an exercise price to exercise the options and receive shares. |
| **What is the performance period?** | The FY2015 grant was divided into three tranches. The performance period that applies to each tranche is set out below. |

| | % of grant | Performance measure | Relevant performance period |
|---|---|---|---|
| Tranche 1 | 16 2/3% | Earnings per share | 1/07/2014 – 30/06/2015 |
| Tranche 2 | 33 1/3% | Earnings per share | 1/07/2015 – 30/06/2017 |
| Tranche 3 | 50% | Share price growth | 1/07/2014 – 30/06/2017 |

Vesting of all tranches will occur on or after 1 November 2017 subject to the Board determining that the applicable performance hurdles have been met.

| | |
|---|---|
| **What are the performance hurdles and why were they chosen?** | As flagged above, the first two tranches of the grant are subject to an earnings per share **(EPS)** performance hurdle, and the third tranche is subject to a share price growth **(SPG)** performance hurdle.<br>The EPS Hurdle is based on the absolute and compound annual growth in the Company's earnings per share over the relevant performance period. An EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings. It is a 'line of sight' hurdle, as the achievement of the hurdle directly correlates to improved shareholder value.<br>The SPG Hurdle is based on the Company's share price growth on a compound basis performance over the relevant performance period. A SPG hurdle has been chosen as it is directly linked to the Company's share price growth and therefore the increase in value created for shareholders.<br>Further detail on the hurdles are set out below. |
| **How does the EPS performance hurdle work?** | The EPS performance hurdle is subject to the measurement of the Company's average annual growth in EPS.<br>It is intended that EPS for each relevant financial year will be calculated as net profit attributable to shareholders for that financial year, adjusted to exclude the costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus elements.<br>For Tranche 1, the EPS hurdle will be met if an absolute EPS target of 4.74 cents/share acheived. The options will vest on conclusion of the total performance period. For Tranche 2, the percentage of the options that vest and become exercisable, if any, will be determined over the relevant performance period by reference to the following vesting schedule: |

| Company's compound annual growth in EPS | % of Options that will vest in Tranche 2 |
|---|---|
| Less than 7% | Nil |
| 7% | 20% |
| Above 7% but less than 15% | Between 20% and 100%, as determined on a pro rata, straight line basis |
| At or above 15% | 100% |

# Remuneration Report Continued

<table>
<tr><td>How does the SPG performance hurdle work?</td><td>For Tranche 3, the percentage of the options that vest and become exercisable, if any, will be determined over the relevant performance period by reference to the following vesting schedule:
<table>
<tr><th>Company's SPG</th><th>% of Options that will vest in Tranche 3</th></tr>
<tr><td>Less than 8%</td><td>Nil</td></tr>
<tr><td>8%</td><td>20%</td></tr>
<tr><td>Above 8% but less than 15%</td><td>Between 20% and 100%, as determined on a pro-rata, straight line basis</td></tr>
<tr><td>At or above 15%</td><td>100%</td></tr>
</table>
For the purposes of calculating the SPG, the Board resolved that the opening share price will be $1.30.</td></tr>
<tr><td>Process for assessing performance conditions</td><td>The EPS performance hurdle is assessed based on the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company.<br>The Board has determined that the SPG performance hurdle will be assessed based on the growth in the Company's share price from $1.30 over the relevant performance period.</td></tr>
<tr><td>What are the rights attaching to the options?</td><td>No voting rights or entitlements to dividends attach to the options.</td></tr>
<tr><td>What is the exercise price and how was it determined?</td><td>$1.30<br>The exercise price was determined by the Board with consideration to the closing share price on the day of listing (5 August 2014) of $1.30.</td></tr>
<tr><td>When do the options expire?</td><td>29 June 2020</td></tr>
<tr><td>What happens on cessation of employment?</td><td>If a participant ceases to be employed due to termination for cause, all options held will lapse with effect from the date of cessation.<br>If a participant ceases to be employed for any other reason, then a pro rata proportion of any unvested options held, calculated by reference to the proportion of the total performance period that has elapsed as at the date of cessation, will be tested based on performance against the relevant hurdles to that date.<br>Any options that vest based on performance against the hurdles will vest immediately. All other options will lapse.</td></tr>
<tr><td>What happens on a change of control?</td><td>In the event of a takeover bid or other transaction that in the Board's opinion would result in a change of control, the Board has the discretion to determine that some or all of a participant's unvested options will vest.<br>If a change of control event occurs before the Board has exercised its discretion, then a pro-rata proportion of unvested options equal to the portion of the total performance period that has elapsed will be tested based on performance against the hurdles to that date.<br>Any options that vest based on performance against the hurdles will vest immediately. All other options will lapse.</td></tr>
</table>

### 1.5 Relationship between remuneration policy and company performance

The Board sought advice from an independent external remuneration consultant, Egan Associates, when determining the remuneration policy. In addition to the advice received, the following metrics also inform the Company's remuneration policy (including the setting of the hurdles for the short term and long-term incentives).

| | Share Performance ($) | | | | Earnings Performance ($M) | |
|---|---|---|---|---|---|---|
| | Closing share price (A$) | Dividend p/share (cents) | SPG* (%) | EPS (%) | EBIT ($M) | NPAT ($M) |
| **FY2015** | 4.37 | 2.86 | 235% | 9.8 | 12.28 | 9.07 |

*The metrics for FY2015 SPG relate to the period from 5 August 2014 (the date the Company was admitted to the ASX Official List) to 30 June 2015. In the future, the Company will be able provide comparative metrics for previous financial years over which the Company was listed.

In particular, the performance measures (hurdles) in relation to long term incentives were set with 50% being based on EPS and 50% being based on SPG. The SPG performance measure explicitly aligns executive's LTI reward with shareholder return, whilst the EPS measure provides an internally driven, earnings-based measure of performance.

### 1.6 Employment contracts

***Managing Director and CEO***

| | |
|---|---|
| **Duration** | Ongoing |
| **Periods of notice required to terminate** | Either party may terminate the Managing Director's employment contract by giving 6 months' written notice or, in Bellamy's case, payment in lieu of notice.<br>Bellamy's may terminate the Managing Director's employment contract at any time and without prior notice or payment in lieu in the event of serious misconduct or other specified circumstances.<br>Where there is a fundamental change to the Managing Director's role (eg, she ceases to be the most senior executive in the Group or there is a substantial diminution in her responsibilities or authorities), for a 1 month period after the change either party may terminate the employment with immediate effect by written notice. |
| **Termination payments** | The Company has discretion to make a payment in lieu of all or part of the notice period.<br>If the Managing Director's employment is terminated in circumstances where there has been a fundamental change to her role, or if she is made redundant then she is entitled to a severance payment equivalent to 12 months' salary. |
| **Restraint of trade** | The employment contract contains restrictions on the Managing Director's ability to compete with Bellamy's or any member of the Bellamy's Group within 12 months after the termination of employment. |

# Remuneration Report Continued

***CFO***

| | |
|---|---|
| **Duration** | Ongoing |
| **Periods of notice required to terminate** | Either party may terminate the CFO's employment by giving 6 months' written notice or, in Bellamy's case, payment in lieu of notice.<br>Bellamy's may terminate the CFO's employment at any time without prior notice or payment in lieu in the event of serious misconduct or other specified circumstances.<br>Where there is a fundamental change to the CFO's role (eg, she ceases to be the most senior finance executive in the Group or there is a substantial diminution in her responsibilities or authorities), for a 1 month period after the change either party may terminate the employment with immediate effect by written notice. |
| **Termination payments** | The Company has discretion to make a payment in lieu of all or part of the notice period.<br>If the CFO is made redundant or her employment is terminated in circumstances where there has been a fundamental change to her role, she is entitled to a severance payment that varies depending on her length of service. The payment will range between 12 months' salary and 6 months' salary and will include any applicable pay in lieu of notice. |
| **Restraint of trade** | The employment contract contains restrictions on the CFO's ability to compete with Bellamy's or any member of the Bellamy's Group within 6 months after the termination of employment. |

## 1.7 Statutory remuneration details and other statutory disclosures

### Statutory remuneration disclosures

The tables below set out the out the statutory disclosures required under the *Corporations Act* and in accordance with the Accounting Standards.

### Non-executive Directors

| | Short-term benefits | | | | Post-employment benefits | | Total Remuneration for services as a Non-executive Director |
|---|---|---|---|---|---|---|---|
| **In AUD** | **FY*** | **Board & Committee fees** | **Non-monetary benefits** | **Other benefits (non-cash)** | **Super-annuation benefits** | **Long Service Leave** | |
| | | | **Non-executive Directors** | | | | |
| Robert Woolley | 2015 | 130,000 | - | - | 12,350 | - | **142,350** |
| | 2014 | 15,000 | - | - | - | - | **15,000** |
| Ian Urquhart | 2015 | 62,500 | - | - | 5,937 | - | **68,437** |
| | 2014 | 15,000 | - | - | - | - | **15,000** |
| Michael Wadley | 2015 | 64,554 | - | - | 6,133 | - | **70,687** |
| | 2014 | 2,250 | - | - | - | - | **2,250** |
| Launa Inman** | 2015 | 22,001 | - | - | 2,090 | - | **24,091** |
| | 2014 | - | - | - | - | - | **-** |
| **Total** | **2015** | **279,055** | **-** | **-** | **26,510** | **-** | **305,565** |
| | **2014** | **32,250** | **-** | **-** | **-** | **-** | **32,250** |

* The data for FY2014 relates to the year ended 30 June 2014, before the Company was listed on the ASX. The data for FY2015 relates to the year ended 30 June 2015. The Company was admitted to the ASX Official List on 5 August 2014.

** Launa Inman was appointed as a Director on 18 February 2015.

**Executives and other key management personnel (KMP)**

| | | Short term employment benefits | | | Post employ-ment benefits | Long term employ-ment benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|---|
| **In AUD** | **FY*** | **Salary & fees** | **Accrued bonus** | **Non-monetary benefits** | **Super-annuation Benefits** | **Long Service Leave** | **Shares** | **Options** | **Total Remuneration** |
| Laura McBain | 2015 | 287,675 | 150,000 | 12,324 | 25,115 | 15,746 | - | 248,018 | **738,878** |
| | 2014 | 210,658 | 700,000 | - | 18,967 | 18,857 | - | 2,566 | **951,048** |
| Shona Ollington** | 2015 | 155,769 | 90,000 | - | 14,798 | - | - | 3,576 | **264,143** |
| | 2014 | - | - | - | - | - | - | - | **-** |
| **Total** | **2015** | **443,444** | **240,000** | **12,324** | **39,913** | **15,746** | **-** | **251,594** | **1,003,021** |
| | **2014** | **210,658** | **700,000** | **-** | **18,967** | **18,857** | **-** | **2,566** | **951,048** |

* The data for FY2014 relates to the year ended 30 June 2014, before the Company was listed on the ASX. The data for FY2015 relates to the year ended 30 June 2015. The Company was admitted to the ASX Official List on 5 August 2014.

** Shona Ollington commenced employment with the Company on 18 August 2014.

**Share based payments**

Details of share based payments granted as compensation to senior executives during the current financial year are set out below:

| Name | Option series | Grant date | No. granted | Value of options granted * | No. vested | % of grant forfeited |
|---|---|---|---|---|---|---|
| L McBain | FY2015 Grant | 29/6/2015 | 825,877 | $1,907,033 | Nil** | Nil |
| Shona Ollington | FY2015 Grant | 29/6/2015 | 216,793 | $500,597 | Nil | Nil |

* The value of the options are amortised over the period from grant date to the vesting date for purposes of accounting and key management personnel compensation reporting. The fair value of each option at the grant date is $3.65.

** The one-off grant of options to the Managing Director & CEO disclosed in the 2014 Remuneration Report will vest in FY2016 based on performance in FY2015.

There were no options granted to key management personnel as part of their remuneration that were exercised or lapsed during the financial year. The number of options on issue at the beginning of the financial year to KMP was 953,333 options.

**Loans to KMP and other transactions of KMP and their personally related entities**

Neither Bellamy's nor any other Group company:

- has outstanding loans with KMP; or
- was party to any other transactions with KMP (including their personally related entities).

# Remuneration Report Continued

**Options over shares in Bellamy's Australia Limited**

The movements during FY2015 in the options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

| | Balance at 1 July 2014 | Granted as remuneration in FY2015 | Vested in FY2015 and exercisable | Exercised during the reporting period | Forfeited in FY2015 | Held as at 30 June 2015 |
|---|---|---|---|---|---|---|
| **Non-executive Directors:** | | | | | | |
| R Woolley | - | - | - | - | - | - |
| I Urquhart | - | - | - | - | - | - |
| M Wadley | - | - | - | - | - | - |
| L Inman (i) | - | - | - | - | - | - |
| **Executives** | | | | | | |
| L McBain | 953,333 | 825,877 | - | - | - | 1,779,210 |
| S Ollington | - | 216,793 | - | - | - | 216,793 |

**Fully paid ordinary shares of Bellamy's Australia Limited**

The movement during FY2015 in the shares of the Company held, directly, indirectly or beneficially, by each KMP, including their related parties is as follows

| | Balance at 1 July 2014 No. | Net other changes (ii), (iii) & (iv) | Balance as at 30 June 2015 No. |
|---|---|---|---|
| **Non-executive Directors:** | | | |
| R Woolley | 3,080,438 | (1,744,699) | 1,335,739 |
| I Urquhart | 3,727,089 | (1,227,089) | 2,500,000 |
| M Wadley | - | - | - |
| L Inman (i) | - | 22,000 | 22,000 |
| **Executives** | | | |
| L McBain | 1,565,376 | - | 1,565,376 |
| S Ollington | - | - | - |

(i) Laura Inman was appointed as a Director on 18 February 2015.

(ii) During the year there were no shares granted as compensation and there were no shares received on the exercise of options.

(iii) There were no shares held nominally by key management personnel as at 30 June 2014 and as at the date of this report.

(iv) The sale of shares by R Woolley and I Urquhart formed part of the Existing Shares to be Sold under the Offer set out in the Initial Public Offer Prospectus dated 4 July 2014. The Offer included the issue of 25,000,000 new shares at $1.00 each and to facilitate the sale of 10,875,380 Existing Shares at a price of $1.00 each, prior to the admission of Bellamy's Australia Limited to the ASX Official List.

Signed in accordance with a resolution of the Board of Directors.

Rob Woolley

**Robert G. Woolley**
DIRECTOR

**Laura McBain**
CEO and Managing Director

Dated at Launceston this 1st day of September 2015

# Auditor’s Independence Declaration

## Auditor’s Independence Declaration

As lead auditor for the audit of Bellamy’s Australia Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bellamy’s Australia Limited and the entities it controlled during the period.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
1 September 2015

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
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# Consolidated Income Statement and Other Comprehensive Income

For the year ended 30 June 2015

| | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Gross Sales | 5(a) | 131,671 | 52,088 |
| Less trading rebates | | (6,369) | (3,192) |
| Revenue | | 125,302 | 48,896 |
| | | | |
| Cost of sales | | (84,095) | (32,507) |
| **Gross Profit** | | 41,207 | 16,389 |
| | | | |
| Other income | 5(a) | 945 | 194 |
| | | | |
| Distribution and selling costs | | (15,191) | (6,704) |
| Employee costs | 6(a) | (5,606) | (4,456) |
| Marketing & promotion costs | | (2,509) | (829) |
| Administrative and other costs | | (5,846) | (2,266) |
| Depreciation, amortisation and impairments | | (447) | (270) |
| IPO transaction costs | | (267) | - |
| **Earnings before net interest and tax (EBIT)** | | 12,286 | 2,058 |
| Net interest revenue/(expense) | 6(b) | 695 | (178) |
| **Profit before tax** | | 12,981 | 1,880 |
| Income tax (expense)/benefit | 7 | (3,908) | (614) |
| **Profit for the year** | | 9,073 | 1,266 |
| | | | |
| **Other comprehensive income (net of tax)** | | | |
| Items that may be reclassified subsequently to profit and loss | | | |
| Exchange differences arising from translation of wholly owned foreign entities | | (146) | (13) |
| **Total comprehensive income for the year** | | 8,927 | 1,253 |
| | | | |
| Earnings per share | | | |
| Basic earnings per share (cents) | 3 | 9.8 | 1.9 |
| Diluted earnings per share (cents) | | 9.5 | 1.9 |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Financial Position

As at 30 June 2015

| | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 10 | 32,035 | 4,434 |
| Trade and other receivables | 8 | 20,867 | 6,443 |
| Current tax assets | 19 | - | 125 |
| Inventories | 12 | 17,148 | 7,737 |
| Financial assets | 11 | 217 | 244 |
| Other assets | 17 | 407 | 2,695 |
| **Total Current Assets** | | 70,674 | 21,678 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 13 | 617 | 553 |
| Intangible assets | 14 | 104 | 228 |
| Deferred tax assets | 19 | 1,016 | 331 |
| **Total Non-Current Assets** | | 1,737 | 1,112 |
| **Total Assets** | | 72,411 | 22,790 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 19,109 | 6,514 |
| Borrowings | 16 | 108 | 184 |
| Provisions | 18 | 179 | 96 |
| Current tax liabilities | | 3,664 | - |
| **Total Current Liabilities** | | 23,060 | 6,794 |
| **Non-Current Liabilities** | | | |
| Borrowings | 16 | 130 | 212 |
| Provisions | 18 | 69 | 47 |
| Deferred tax liabilities | 19 | 241 | 145 |
| **Total Non-Current Liabilities** | | 440 | 404 |
| **Total Liabilities** | | 23,500 | 7,198 |
| **Net Assets** | | 48,911 | 15,592 |
| **Equity** | | | |
| Issued capital | 20 | 39,655 | 15,756 |
| Reserves | 21 | 340 | (7) |
| Retained profits/(Accumulated losses) | | 8,916 | (157) |
| **Total Equity** | | 48,911 | 15,592 |

*The accompanying notes form part of these financial statements.*

# Statement of Changes in Equity

As at 30 June 2015

| | Issued capital $000 | Foreign currency translation reserve $000 | Share based payment reserve $000 | Retained earnings $000 | Total $000 |
|---|---|---|---|---|---|
| **Balance as at 1 July 2013** | 10,900 | - | - | (1,423) | 9,477 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 1,266 | 1,266 |
| Other comprehensive income | - | (13) | - | - | (13) |
| **Total comprehensive income** | - | (13) | - | 1,266 | 1,253 |
| Issue of shares (net of transaction costs) | 4,856 | - | - | - | 4,856 |
| Dividends | - | - | - | - | - |
| Share based payments | - | - | 6 | - | 6 |
| **Balance as at 30 June 2014** | 15,756 | (13) | 6 | (157) | 15,592 |
| **Balance as at 1 July 2014** | 15,756 | (13) | 6 | (157) | 15,592 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 9,073 | 9,073 |
| Other comprehensive income | - | (146) | - | - | (146) |
| **Total comprehensive income** | - | (146) | - | 9,073 | 8,927 |
| Issue of shares (net of transaction costs) | 23,899 | - | - | - | 23,899 |
| Dividends | - | - | - | - | - |
| Share based payments | - | - | 493 | - | 493 |
| Other transfers | - | - | - | - | - |
| **Balance as at 30 June 2015** | 39,655 | (159) | 499 | 8,916 | 48,911 |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Cash Flows

As at 30 June 2015

| | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| Cash Flows From Operating Activities | | | |
| Cash receipts from customers | | 123,418 | 54,579 |
| Grants received | | - | 77 |
| Interest received | | 745 | 24 |
| Dividends received | | 4 | 4 |
| Cash payments to suppliers & employees | | (119,160) | (53,047) |
| Interest paid | | (31) | (202) |
| Income taxes paid | | (236) | (662) |
| **Net Cash From Operating Activities** | 22 | 4,740 | 773 |
| Cash Flows From Financing Activities | | | |
| Proceeds share issue (net of transaction costs) | | 23,425 | 4,795 |
| Repayment of borrowings | | (217) | (3,630) |
| Proceeds from borrowings | | 40 | 201 |
| **Net Cash From Financing Activities** | | 23,248 | 1,366 |
| Cash Flows From Investing Activities | | | |
| Proceeds sale property plant & equipment | | - | 5 |
| Purchases of property, plant & equipment | | (267) | (145) |
| Purchases of intangibles | | (120) | (228) |
| **Net Cash Used In Investing Activities** | | (387) | (368) |
| **Net Increase/(Decrease) In Cash And Cash Equivalents** | | 27,601 | 1,771 |
| Cash and cash equivalents at 1 July 2014 | | 4,434 | 2,663 |
| Effects of exchange rate changes | | - | - |
| **Cash And Cash Equivalents At 30 June 2015** | 10 | 32,035 | 4,434 |

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

For the Year Ended 30 June 2015

These are the consolidated financial statements of Bellamy's Australia Limited and its subsidiaries. A list of major subsidiaries is included in Note 26. The financial statements are presented in the Australian currency.

**The notes are set out in the following main sections:**

**How numbers are calculated:** provides a breakdown of those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Group, or where there have been significant changes that required specific explanations.

**Risk:** discusses the Group's exposure to various financial risks and what the group does to manage these risks.

**Group structure:** explains significant aspects of the Group structure.

**Unrecognised items:** provides information about items that are not recognised in the financial statements.

**Other information:** includes information that is not directly related to specific line items in the financial statements, including: related party transactions and share-based payments. Other information also includes significant accounting policies applied in the preparation of these financial statements.

### 1. Significant changes in the current reporting period

Bellamy's Australia Limited (ASX:BAL) (Bellamy's) was admitted to the ASX official list effective 5 August 2014, following the issue of 25,000,000 ordinary shares at $1.00 each pursuant to a Prospectus and Initial Public Offer document dated 4 July 2014. The net proceeds from the share issue were $23.89m after taking into account capital raising costs of approximately $1.1m (net of tax). The number of ordinary shares on issue is now 95,000,392.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the Group in future financial years.

For a detailed discussion of the group's performance and financial position, please refer to our operating and financial review on pages 7 to 25.

**Restated income statement**

During the period comparatives in respect of revenue and distribution and selling costs were restated to recognise costs associated with volume rebates against revenue. As a result of this, revenue and distribution and selling costs were each reduced by $2.0m in the consolidated statement of profit and loss.

## HOW NUMBERS ARE CALCULATED

### 2. Segment Information

**a Description of segments**

Operating segments are determined in accordance with AASB 8 Operating Segments. To identify the operating segments of the business management has considered the business from both a product and geographical perspective, as well as considering the way information is reported to management and the Board.

Segment revenues are derived from the sale and distribution of organic branded food products to babies and toddlers. Management has determined that there are three operating segments based on geographical location. The revenue for geographical segments is determined by the location of the retailer/customer in respect of direct sales.

i) Australia – revenues derived from sales to retailers within Australia

ii) China/Hong Kong – revenue derived from sales to the Chinese distributor and online sales from third party websites to Chinese customers.

iii) Other – sales to other distributiors and retailers, predominantly in South East Asia.

**b Segment information provided to Board of Directors**

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2015 are as follows:

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

| Segment reporting | Australia | | China/Hong Kong | | Other/South East Asia | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2015 $000 | 2014 $000 | 2015 $000 | 2014 $000 | 2015 $000 | 2014 $000 | 2015 $000 | 2014 $000 |
| External sales | 107,045 | 41,370 | 14,137 | 5,433 | 4,119 | 2,093 | 125,302 | 48,896 |
| Other revenue | 15 | 154 | 297 | 40 | 634 | 0 | 946 | 194 |
| **Segment Revenue** | 107,060 | 41,524 | 14,435 | 5,473 | 4,753 | 2,093 | 126,248 | 49,090 |
| Segment EBIT | 13,009 | 3,828 | 416 | 174 | 685 | 154 | 14,110 | 4,156 |
| Unallocated corporate expenses | - | - | - | - | - | - | (1,823) | (2,098) |
| Group EBIT | - | - | - | - | - | - | 12,287 | 2,058 |
| Net financing (costs)/ revenue | 696 | (178) | 1 | - | (2) | - | 695 | (178) |
| Profit before tax from continuing operations | 11,896 | 1,552 | 417 | 174 | 669 | 154 | 12,982 | 1,880 |
| **Total segment assets** | 37,343 | 17,188 | 1,099 | 249 | 918 | 463 | 39,360 | 17,900 |
| **Total segment liabilities** | 19,744 | 6,214 | 2,540 | 163 | 489 | 137 | 22,773 | 6,514 |
| **Other disclosures** | | | | | | | | |
| Depreciation, amortisation & impairments | 436 | 269 | 9 | 1 | 2 | - | 447 | 270 |
| Depreciation and amortisation (unallocated) | - | - | - | - | - | - | - | - |
| Income tax | 3,868 | 614 | 103 | - | (63) | - | 3,908 | 614 |
| Acquisition of segment assets | 252 | 112 | 7 | 26 | 8 | 7 | 267 | 145 |

| Reconciliation of segment assets and liabilities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jun-15 $000 | Jun-14 $000 | Jun-15 $000 | Jun-14 $000 | Jun-15 $000 | Jun-14 $000 | Jun-15 $000 | Jun-14 $000 |
| **Segment assets** | 37,343 | 17,188 | 1,099 | 249 | 918 | 463 | 39,360 | 17,900 |
| Unallocated | | | | | | | | |
| Cash and cash equivalents | | | | | | | 32,035 | 4,434 |
| Current tax asset | | | | | | | - | 125 |
| Deferred tax assets (net) | | | | | | | 1,016 | 331 |
| **Total assets** | | | | | | | 72,411 | 22,790 |
| **Segment liabilities** | 19,744 | 6,214 | 2,540 | 163 | 489 | 137 | 22,773 | 6,514 |
| Unallocated Provisions (employee benefits) | | | | | | | 248 | 143 |
| Borrowings | | | | | | | 238 | 396 |
| Deferred tax liabilities | | | | | | | 241 | 145 |
| **Total liabilities** | | | | | | | 23,500 | 7,198 |

The Board of Directors assess performance of the operating segments based on EBIT.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that in the financial statements. These assets are allocated based on the operations of the segment and physical location of the asset.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## Shareholder Returns

### 3. Earnings Per Share

| | 2015 cents | 2014 cents |
|---|---|---|
| Basic earnings per share (a) | 9.8 | 1.9 |
| Diluted earnings per share (b) | 9.5 | 1.9 |

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of $9,073,000 *(2014: $1,226,000)* and the weighted average number of shares outstanding of 92,534,639 *(2014: 65,137,378)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the weighted average number of shares outstanding of 92,534,639 and unexercised employee options of 3,355,746 *(2014:2,200,000)*.

### 4. Dividends To Shareholders

On 21 August 2015, the Directors declared a fully franked dividend of 2.86 cents per share. No dividends were paid during the previous financial year.

As at 30 June 2015, the level of 30% franking credits available to shareholders on a tax paid basis was $4,566,000 *(2014: $586,000)*. The franking credits available are based on the balance of the dividend franking account in the prior year tax return adjusted in relation to the current income tax liabilities for the year ended 30 June 2015. The ability to utilise franking credits is dependent upon the ability to declare dividends.

## Profit And Loss Information

This note provides further information about individual line items in the profit and loss statement.

| 5. Revenue | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Gross sales | | 131,671 | 52,088 |
| Less trading rebates | | (6,369) | (3,192) |
| Revenue | | 125,302 | 48,896 |
| | | | |
| **Other revenue** | | | |
| Grants received | | - | 77 |
| Dividends received | | 4 | 4 |
| Fair value increment/(decrement) – financial assets | 11 | (27) | 115 |
| Exchange gains/(losses) | | 548 | (38) |
| Gain/(loss) on disposal of assets | | (4) | - |
| Other income | | 424 | 36 |
| | | 945 | 194 |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

**Revenue recognition**

**Measurement of revenue**

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

**Timing of recognition**

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is reported under the heading of net finance costs and recognised using the effective interest rate method.

Grant income is recognised as income when the grant becomes receivable.

All revenue is stated net of the amount of goods and services tax (GST).

## 6. Expenses

| a Employee benefits | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| Wages, salaries, bonuses | | 4,193 | 3,009 |
| Superannuation | | 324 | 152 |
| Other employee related expenses | | 1,088 | 1,295 |
| | | 5,606 | 4,456 |
| **b Net interest revenue/(expense) (unrelated parties)** | | | |
| Interest revenue | | 745 | 25 |
| Interest expense – financial liabilities | | (50) | (203) |
| | | 695 | (178) |
| **c Other expenses from continuing operations** | | | |
| Impairment – property, plant & equipment | 13(b) | - | 135 |
| Depreciation – property, plant & equipment | 13(b) | 203 | 135 |
| Operating lease rentals | | - | 164 |
| Amortisation and impairment of product development costs | | 244 | 24 |
| Write-off obsolete stock | | 1,312 | 306 |
| IPO transaction costs | | 267 | - |

## 7. Income Tax Expense

| a Amounts recognised in profit or loss: | 2015 $000 | 2014 $000 |
|---|---|---|
| Current tax expense | 4,020 | 586 |
| Deferred tax expense/(benefit) | (112) | 32 |
| Adjustments for current tax of prior periods | - | (4) |
| **Total income tax expense/(benefit)** | 3,908 | 614 |

## 7. Income Tax Expense continued

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **b Numerical reconciliation between tax expense and profit before tax** | | |
| Profit before tax from continuing operations | 12,981 | 1,880 |
| Prima facie tax payable at 30% (2013:30%) | 3,894 | 564 |
| | | |
| Non deductible expenditure | 3 | 36 |
| Under / over provision in respect of prior years | - | (4) |
| Effect of different overseas tax rates | 36 | 56 |
| R&D benefits | (4) | (38) |
| Losses not previously recognised | 6 | - |
| Tax effect of inter-entity eliminations | (27) | - |
| **Total income tax expense / (benefit)** | 3,908 | 614 |
| Weighted average effective tax rates | 30% | 33% |

## Financial Assets & Financial Liabilities

## 8. Trade And Other Receivables

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Current | | |
| Trade debtors (a) | 20,343 | 6,151 |
| Provision for doubtful debts | - | - |
| | 20,343 | 6,151 |
| | | |
| Other debtors | 524 | 292 |
| | 20,867 | 6,443 |

**a Accounting for trade receivables**

The average number of days outstanding for trade debtors is approximately 58 days. Interest is not charged on overdue balances. Less than 1% of the balance is past 60 days overdue with all balances considered to be recoverable; hence a provision for doubtful debts is not required. The top 5 debtors comprise major Australian retail outlets, and one international distributor secured by a Letter of Credit and represent 84% of the total balance.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 9. Financial Instrument Composition And Maturity Analysis

**Consolidated Group 2015**

| | Weighted Average Interest Rate % | Floating Interest Rate $000 | Fixed Interest Rate Mature within 1 Year $000 | Fixed Interest Rate Mature later than 1 Year $000 | Non interest bearing $000 | Total 2015 $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 4.7% | 32,035 | - | - | - | 32,035 |
| Receivables | | - | - | - | 20,867 | 20,867 |
| Shares in listed Australian entity at fair value | | - | - | - | 217 | 217 |
| **Total financial assets** | | 32,035 | - | - | 21,084 | 53,119 |
| **Financial Liabilities** | | | | | | |
| Trade payables | | - | - | - | (19,109) | (19,109) |
| Borrowings | 8.8% | - | (108) | (130) | - | (238) |
| **Total financial liabilities** | | - | (108) | (130) | (19,109) | (19,347) |
| **Net financial assets** | | 32,035 | (108) | (130) | 1,975 | 33,792 |

**Consolidated Group 2014**

| | Weighted Average Interest Rate % | Floating Interest Rate $000 | Fixed Interest Rate Mature within 1 Year $000 | Fixed Interest Rate Mature later than 1 Year $000 | Non interest bearing $000 | Total 2014 $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 2.3% | 3,497 | - | - | 937 | 4,434 |
| Receivables | | - | - | - | 6,443 | 6,443 |
| Shares in listed Australian entity at fair value | | - | - | - | 244 | 244 |
| **Total financial assets** | | 3,497 | - | - | 7,624 | 11,121 |
| **Financial Liabilities** | | | | | | |
| Trade payables | | - | - | - | (6,514) | (6,514) |
| Borrowings | 6.4% | - | (184) | (212) | - | (396) |
| **Total financial liabilities** | | - | (184) | (212) | (6,514) | (6,910) |
| **Net financial assets** | | 3,497 | (184) | (212) | 1,110 | 4,211 |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 10. Cash And Cash Equivalents

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Cash at bank | 32,035 | 4,434 |

## 11. Financial Assets

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Current | | |
| Share in an Australian listed entity at fair value through profit and loss | 217 | 244 |
| | 217 | 244 |

The shares are held for trading and changes in fair value are included in the statement of comprehensive income under the heading of other income. The fair value decrement was $27,000 (2014: increment of $115,000).

## Non-financial Assets & Liabilities

## 12. Inventories

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Current assets | | |
| Raw materials & stores at cost | 3,117 | 1,109 |
| Finished goods at cost | 14,031 | 6,628 |
| | 17,148 | 7,737 |

Inventories are measured at lower of cost and net realisable value.

## 13. Property, Plant And Equipment

**a Carrying amounts**

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Plant and Equipment | | |
| At cost | 903 | 1,321 |
| Accumulated depreciation | (327) | (350) |
| Accumulated impairment losses | - | (468) |
| | 576 | 503 |
| Leasehold Improvements. | | |
| At cost | 212 | 129 |
| Accumulated depreciation | (171) | (79) |
| | 41 | 50 |
| Total Property Plant & Equipment | 617 | 553 |

**b Reconciliation of carrying amount**

| | Plant & equipment | Leasehold improvements | Total $000 |
|---|---|---|---|
| Balance as at 1 July 2013 | 602 | 81 | 683 |
| Additions | 135 | 10 | 145 |
| Disposals | (5) | - | (5) |
| Depreciation expense | (94) | (41) | (135) |
| Impairments (i) | (135) | - | (135) |
| Balance as at 30 June 2014 | 503 | 50 | 553 |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

| | Plant & equipment | Leasehold improvements | Total $000 |
|---|---|---|---|
| Balance as at 1 July 2014 | 503 | 50 | 553 |
| Additions | 184 | 83 | 267 |
| Disposals | - | - | - |
| Depreciation expense | (111) | (92) | (203) |
| Impairments (i) | - | - | - |
| Balance as at 30 June 2015 | 576 | 41 | 617 |

i. Impairment losses

During the 2014 year the group carried out a review of the recoverable amount of plant and equipment where there was an indication of impairment. The group determined that the recent market prices adjusted for disposal costs reflected the asset's fair value and the value in use.

ii. Non- current assets pledged as security

Plant and equipment pledged as security for asset purchase liabilites has a written down value of $123,000 *(2014: $110,000)*.

iii Leasehold improvements

Amortisation of leashold improvements is based on management's estimate of the remaining term of the lease and expected benefits during this period.

## 14. Intangible Assets

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Product development costs | | |
| Cost | 348 | 228 |
| Accumulated amortisation and impairment | (244) | - |
| | 104 | 228 |

**a Accounting for intangible assets**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when the project is expected to deliver future economic benefits and those benefits can be reliably measured.

The costs will be amortised over periods ranging from 2-5 years. During the year, an impairment charge of $39,000 arose in relation to the Ready to Go product. As a result of the withdrawal of this product from the market, the remaining unamortised value of $202,000 was written down to nil.

## 15. Trade And Other Payables

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current:** | | |
| Unsecured: | | |
| Trade payables | 17,016 | 4,505 |
| Sundry payables and accrued expenses | 2,093 | 2,009 |
| Related party payables | - | - |
| | 19,109 | 6,514 |

Payables are unsecured and are usually paid for within 30 days from end of month.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 16. Borrowings

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current:** | | |
| Unsecured borrowings: | | |
| Insurance funding | - | 87 |
| Secured liabilities | | |
| Asset purchase liabilities (a) | 108 | 97 |
| Total current borrowings | 108 | 184 |
| **Non-Current:** | | |
| Secured liabilities | | |
| Asset purchase liabilities (a) | 130 | 212 |
| Total non-current borrowings | 130 | 212 |
| Total borrowings | 238 | 396 |

Additional information on finance facilities

(a) The asset purchase liabilities are secured by underlying assets carried at $123,000 *(2014: $110,000).*

(b) Bank accepted letter of credits are provided from time to time in relation to export sale orders and are secured by the underlying receivable balance.

## 17. Other Assets

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Prepayments | 407 | 2,695 |

## 18. Provisions

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Employee entitlements | 179 | 96 |
| **Non-Current** | | |
| Employee entitlements | 69 | 47 |
| | 248 | 143 |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 19. Tax

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current asset / (liability)** | | |
| Current tax asset | - | 125 |
| Income tax payable | 3,664 | - |
| | | |
| **Deferred tax balances recognised** | | |
| Temporary differences relating to income | - | (3) |
| Temporary differences relating to spending | 181 | 210 |
| Inventories | - | 9 |
| Other current assets | - | (30) |
| Financial assets | (35) | (43) |
| Plant and equipment | 2 | 8 |
| Capitalised legal fees | 8 | - |
| Intangibles | 7 | (69) |
| Employee entitlements | 69 | 41 |
| Foreign exchange losses | (177) | 14 |
| Overseas operating losses | 124 | - |
| Share based payments | 148 | - |
| Capital raising costs (equity) | 447 | 49 |
| Net deferred tax balances recognised | 774 | 186 |
| **Represented by** | | |
| Deferred tax assets | 1,016 | 331 |
| Deferred tax liabilities | (241) | (145) |
| | 774 | 186 |
| **Movement in recognised deferred tax balances** | | |
| Opening balance | 186 | 157 |
| Recognised in income | 117 | (32) |
| Recognised in equity *(capital raising costs)* | 472 | 61 |
| | 774 | 186 |
| **Deferred tax assets not recognised** | | |
| Australian Tax Consolidated Group | | |
| Tax losses: capital | 201 | 201 |
| Temporary differences : revenue | - | - |

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 20. Issued Capital

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **a Fully paid ordinary shares** | | |
| 95,000,392 *(2014: 70,000,392)* | 39,655 | 15,756 |

*Fully paid ordinary shares carry one vote per share and carry a right to dividends.*

| | Number of shares '000 | Issued capital $000 |
|---|---|---|
| Movements in fully paid ordinary shares | | |
| Balance 1 July 2013 | 9,966 | 10,900 |
| 10 June 2014 – share split (i) | 55,034 | - |
| 20 June 2014 - institutional placement (ii) | 5,000 | 4,856 |
| Balance 30 June 2014 | 70,000 | 15,756 |
| 5 August 2014 – share issue (iii) | 25,000 | 23,899 |
| Balance 30 June 2015 | 95,000 | 39,655 |

(i). On 10 June 2014, shareholders approved a 6.5224:1 share split which increased the number of shares on issue by 55,034,000.

(ii). On 20 June 2014, the company completed a placement of 5,000,000 shares to various institutions at the issue price of $1.00. The institutional placement costs were $145,500 net of tax and the net increase in share capital was $4,856,500.

(iii). On 5 August 2014, the company issued 25,000,000 ordinary shares at $1.00 and was admitted to the ASX official list. The net proceeds from the share issue was $23,899,000 taking into account capital raising costs of $1,101,000 (net of tax).

### b Share options granted under the Company's employee share option plan

As at 30 June 2015, the Managing Director and other senior management held, as part of their remuneration, conditional vesting options over 3,355,748 *(2014: 2,200,000)* ordinary shares of the Company comprising the Initial Grant made on 26 June 2014, under the Employee Share Option Plan (ESOP), and a subsequent grant made on 29 June 2015 in accordance with the long term incentive plan as approved by the shareholders on 30 October 2014.

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the Company or of any other related body corporate.

Until they are exercised, the options do not carry rights to dividends or voting rights.

Refer also to note 21: Share Based Payments – Employee Option Plan.

### c Dividends not recognised at the end of the reporting period

On 21 August 2015 the directors declared a dividend of 2.86 cents per fully paid ordinary share, fully franked based on tax paid at 30%. No dividends were paid during the previous financial year. The aggregate amount of the proposed dividend expected to be paid on 30 September 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is $2.717 million.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

**d Dividend franking account**

As at 30 June 2015, the level of 30% franking credits available to shareholders on a tax paid basis was $4,565,856 *(2014: $586,000)*. The franking credits available are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax after the end of the year. The ability to utilise franking credits is dependent upon the ability to declare dividends.

**e Capital Management**

Management and the Board of Directors monitor the capital of the group in order to maintain a prudent debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can effectively fund the operations in line with business growth objectives.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. At balance date there were no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Due to the business being in the early stages of its maturity cycle, management consider it prudent to maintain a low debt to equity ratio.

The debt to equity cash position as at the end of the reporting period is as follows:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Total borrowings | 238 | 396 |
| Less cash and cash equivalents | (32,035) | (4,434) |
| Net debt / (cash) | (31,797) | (4,038) |

## 21. Reserves (net of income tax)

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Foreign currency translation | (159) | (13) |
| Equity- settled employee benefits | 499 | 6 |
| | 340 | (7) |
| **Foreign currency translation reserve** | | |
| Balance at the beginning of the year | (13) | - |
| Exchange differences arising on translating net assets of wholly owned foreign entities | (146) | (13) |
| Balance at the end of the year | (159) | (13) |

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations are recognised directly in other comprehensive income and are accumulated in the foreign currency translation reserve.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 21. Reserves (net of income tax) continued

| **Equity-settled employee benefits reserve** | **2015 $000** | **2014 $000** |
|---|---|---|
| Balance at the beginning of the year | 6 | - |
| Arising on share based payments | 493 | 6 |
| Balance at the end of the year | 499 | 6 |

The reserve relates to share options granted by the Company to its employees under its Employee Share Option Plan. Further details are provided in note 21: Share Based Payments.

## 22. Additional Cash Flow Information

| **Reconciliation of profit for the year to net cash from operating activities** | **2015 $000** | **2014 $000** |
|---|---|---|
| Profit after tax | 9,073 | 1,266 |
| Adjust for non-cash items | | |
| Depreciation | 447 | 135 |
| Impairment – plant and equipment | - | 135 |
| Financial assets – fair value through profit or loss | 27 | (115) |
| Unrealised gains | (146) | - |
| Interest on asset purchase | 19 | - |
| Share based payments | 493 | 6 |
| Movements in working capital | | |
| (Increase)/decrease in trade receivables | (14,424) | (737) |
| (Increase)/decrease in inventories | (9,412) | (1,251) |
| (Increase)/decrease in other assets | 2,289 | (2,531) |
| (Increase)/decrease in net tax assets | 3,672 | (49) |
| (Decrease)/increase in trade payables | 12,596 | 3,862 |
| (Decrease)/increase in provisions | 106 | 52 |
| **Net cash from operating activities** | 4,740 | 773 |

During the year there were no reportable non-cash financing and non-cash investing activities.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## RISK

### 23. Critical Estimates, Judgements and Errors

There are no critical estimates or judgements other than the capitalisation of product development costs. The accounting for product development costs are outlined in Note 14. At 30 June 2015 there is $104,000 *(2014: $228,000)* of capitalised costs.

### 24. Financial Risk Management

**a Financial risk management policies**

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries. As at 30 June 2015, the Group does not have any derivative financial instruments *(2014: Nil)*.

**b Financial risk exposures**

The Group is exposed to liquidity and credit risks with limited exposure to interest rate, foreign exchange and equity price risk.

Liquidity risk is managed by monitoring forecast cash flows ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk arises from exposure to customers and deposits with financial institutions. Management monitors credit risk by actively assessing and rating quality and liquidity of counter parties.

Due to low debt to equity ratios the group has limited exposure to interest rate risk. As at 30 June 2015, the total borrowings were $108,000 under fixed interest borrowing arrangements. The Group is also exposed to interest rate risk on cash balances held, largely as a result of the $25 million capital raising in August 2014 to fund future business growth and the resultant working capital requirements, in both domestic and Asian markets.

Until recently all business has been conducted primarily in Australian dollars. As the business expands into Asia the exposure to foreign exchange risk will increase to include Hong Kong Dollars, Singapore dollars and RMB. For the internal operations in the entities in Singapore, Hong Kong and China, all income and expenses are conducted in local currency. There are no hedging policies currently in place, although the business seeks to apply natural hedges where possible. At present exposure to foreign exchange risk is considered not material based on the value of transactions within these entities.

The Group imports ingredients to meet demand, and has exposure to USD and EUR movements directly where it purchases ingredients on its own behalf and indirectly through purchases of finished products where the Group's product manufacturers purchase ingredients on its behalf. The company meets regularly with these product manufacturers to agree on best policies for exchange rate management.

The Group has equity price risk as a result of its listed equity investment holdings valued at fair value through profit and loss $216,500 *(2014: $244,000)*. Fair value of listed equity investments is determined with reference to quoted ASX bid prices. A 10% movement in equity prices would impact the carrying value of the listed investments and profit before tax by $22,000 *(2014: $24,000)*.

**c Categories of financial instruments**

Other than equity investments classified at fair value through profit and loss under the heading of current financial assets, the nature and categories of all other financial instruments are apparent from the face of the Statement of Financial Position.

**d Carrying value of financial assets and financial liabilities**

Refer note 16: Borrowings.

**e Access to financing facilities**

The carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are considered to approximate their fair values.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## GROUP STRUCTURE

### 25. Parent Entity Supplementary Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Statement of Financial Position** | | |
| **Assets** | | |
| Current assets | 39,460 | 12,503 |
| Non-current assets | 612 | 65 |
| **Total Assets** | 40,072 | 12,568 |
| | | |
| **Liabilities** | | |
| Current liabilities | 3,732 | 594 |
| Non-current liabilities | - | 33 |
| **Total Liabilities** | 3,732 | 627 |
| **Net Assets** | 36,340 | 11,941 |
| | | |
| **Equity** | | |
| Issued capital | 39,655 | 15,756 |
| Reserves | 499 | (7) |
| Retained earnings | (3,814) | (3,808) |
| **Total Equity** | 36,340 | 11,941 |
| | | |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit / (loss) | 7 | (4) |
| Total comprehensive income | 7 | (4) |
| | | |
| Guarantees | - | - |
| Contingent liabilities | - | - |
| Contractual commitments | - | - |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

### 26. Subsidiaries

| Name | Principal activity | Place of incorporation and operation | Ownership % 2015 | Ownership % 2014 |
|---|---|---|---|---|
| Bellamy's Organic Australia Pty Ltd | (a) | Australia | 100 | 100 |
| Bellamy's Kitchen Pty Ltd | (b) | Australia | 100 | 100 |
| Yum Mum Pty Ltd | (b) | Australia | 100 | 100 |
| Bellamy's Organic (Hong Kong) Company Ltd | (a) | Hong Kong | 100 | 100 |
| Bellamy's Organic (South East Asia) Pte Ltd | (a) | Singapore (c) | 100 | 100 |
| Bellamy's Organic Food Trading (Shanghai) Co Ltd | (a) | China (c) | 100 | 100 |

(a) Sale and distribution of organic food and formula products for babies and toddlers

(b) Non-operating

(c) These entities were incorporated during the 2014 year and currently their respective financial reporting periods are not synchronised with the parent entity. The auditors of these entities are not related to the auditor of the parent entity.

## UNRECOGNISED ITEMS

### 27. Contingent Liabilities and Contingent Assets

As at the date of this report the Group is not aware of any reportable contingent liabilities or contingent assets.

### 28. Commitments For Expenditure

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Plant and equipment | - | - |
| Intangibles | - | - |
| | - | - |

### 29. Operating Lease Arrangements

| **Non-cancellable operating lease commitments** | 2015 $000 | 2014 $000 |
|---|---|---|
| Not later than 1 year | 156 | 165 |
| Later than one year and not later than 5 years | 72 | 165 |
| Later than 5 years | - | - |
| | 228 | 330 |

Operating lease commitments primarily relate to office leasing arrangements.

### 30. Events Occurring After Reporting Period

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## OTHER INFORMATION

### 31. Related Party Transactions

**a Parent entities**

The parent entity within the Group is Bellamy's Australia Limited.

**b Subsidiaries**

A list of subsidiaries is provided in note 26.

Disclosures

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between the Company and its controlled entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

**Transactions with related parties:**

**c Key management personnel compensation**

The key management personnel compensation included in 'employee costs ' (see note 6(c)) is as follows:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Short term benefits | 695,768 | 910,658 |
| Post-employment benefits | 39,913 | 18,967 |
| Other long term benefits | 15,746 | 18,857 |
| Termination benefits | - | - |
| Share based payments | 251,594 | 2,566 |
| | 1,003,021 | 951,048 |

**d Individual Directors and executive compensation disclosures**

Information regarding individual directors and key management personnel compensation and some equity instruments disclosures as required by the *Corporations Regulations* 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on pages 33 to 42.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

There were no loans outstanding at reporting date between the Company and the Group and key management personnel.

**e Other key management personnel transactions with the company or its controlled entities**

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

**f Shareholdings**

The number of ordinary shares held in Bellamy's Australia Limited as at the date of this report and as at the end of the reporting period, by each key management person, including their related parties, are as follows:

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

| | Balance at 1 July 2014 No. | Net other changes (ii) | Balance at 30 June 2015. No. |
|---|---|---|---|
| **Non-executive Directors:** | | | |
| R Woolley | 3,080,438 | (1,744,699) | 1,335,739 |
| I Urquhart | 3,727,089 | (1,227,089) | 2,500,000 |
| M Wadley | - | - | - |
| L Inman (i) | - | 22,000 | 22,000 |
| **Executives** | | | |
| L McBain | 1,565,376 | - | 1,565,376 |
| S Ollington | - | - | - |

i. Appointed 18 February 2015.

ii. The movement in shares held after 30 June 2014, form part of the Existing Shares to be Sold under the Offer set out the Initial Public Offer Prospectus dated 4 July 2014. The Offer included the issue of 25,000,000 new shares at $1.00 each and to facilitate the sale of 10,875,380 Existing Shares at a price of $1.00 each, prior to the admission of Bellamy's Australia Limited to the ASX Official List.

### g Options over ordinary shares

The number of options over Bellamy's Australia Limited ordinary shares held as at the date of this report and as at the end of the reporting period, by each key management person, including their related parties are set out below.

| | Balance at 1 July 2014 | Granted as remuneration in FY2015 | Vested in FY2015 and exercisable | Exercised during the reporting period | Forfeited in FY2015 | Held as at 30 June 2015 |
|---|---|---|---|---|---|---|
| **Non-Executive Directors:** | | | | | | |
| R Woolley | - | - | - | - | - | - |
| I Urquhart | - | - | - | - | - | - |
| M Wadley | - | - | - | - | - | - |
| L Inman (i) | - | - | - | - | - | - |
| **Executives** | | | | | | |
| L McBain | 953,333 | 825,877 | - | - | - | 1,779,210 |
| S Ollington | - | 216,793 | - | - | - | 216,793 |

## 32. Auditor's Remuneration

| | 2015 $ | 2014 $ |
|---|---|---|
| **a Auditor of the parent entity** | | |
| Audit of the financial statements | 80,000 | 25,000 |
| Other audit, tax and compliance related services | 6,000 | 10,485 |
| Additional services in relation to the capital raising | - | 19,500 |
| **Total paid to PricewaterhouseCoopers** | 86,000 | 54,985 |
| **b Auditors of the wholly owned overseas subsidiaries** | | |
| Audit of the financial statements | 26,000 | 15,000 |
| Other tax and compliance services | 18,000 | - |
| | 44,000 | 15,000 |

Note: At this stage the overseas based subsidiaries financial year ends are not synchronised with the parent entity. As such the above includes estimates of audits not yet completed.

## 33. Share Based Payments

### Employee Option Plan

The Managing Director and other senior management held, as part of their remuneration, conditional vesting options over 3,355,748 *(2014: 2,200,000)* ordinary shares of the Company comprising the initial grant which was made on 26 June 2014, under the Employee Share Option Plan (ESOP), and the current year grant which was made on 29 June 2015.

### FY2015 grant

The exercise price for the FY2015 grant of options is $1.30. The options can only be exercised if specific performance hurdles are met. Refer to the Remuneration Report on pages 33 to 42 for details regarding the performance hurdles. These options expire two years subsequent to vesting, which should be no later than 29 June 2020.

### FY2014 grant

The exercise price for the initial grant of options is $1.00. The options can only be exercised if the group achieves its FY2015 Pro Forma forecast NPAT forecast of $5.0 million as confirmed by the FY2015 financial results released to the ASX and that the holder remains an eligible employee of the Group until the FY2015 results are released. These options expire two years subsequent to vesting, which should be no later than 31 August 2017.

### a Other movements

During the current financial year and the previous financial year there were no options exercised, however 293,333 options were forfeited as a result of an eligible employee ceasing employment with the Group. As at 30 June 2015, there were no options exercisable.

### b Fair value of options granted during the year

The fair value of the options granted during the year was $2.31. The options granted were priced using a binomial option pricing model with the following key inputs:

i. weighted average share price at grant date: $3.65 *(2014: $1.00)*
ii. exercise price: $1.30 *(2014: $1.00)*
iii. grant date: 29 June 2015 *(2014: 26 June 2014)*
iv. expected term to maturity: 5 years
v. risk free interest rate: 2.3% *(2014: 3.5%)*
vi. expected dividend yield: 1.6%
vii. volatility: 25% *(2014: 32%)*

Volatility was calculated by reference to the volatility of publicly listed companies that are comparable to Bellamy's. The volatility was calculated as the average volatility of the comparable companies over a three year period up to the grant date of the options.

# Notes to the Financial Statements (cont'd)



**Expenses arising from share based payment transactions**

The value of options granted to KMP are amortised over the period from the grant date to the vesting date for accounting purposes. Share based payments expense in relation to key management personnel for the year is as follows:

| Name | Option series | Grant date | No. of options | Share based payment expense $ |
|---|---|---|---|---|
| L McBain | FY2015 Grant | 29/6/2015 | 953,333 | 14,000 |
| L McBain | FY2014 Grant | 26/6/2014 | 825,877 | 234,000 |
| Shona Ollington | FY2015 Grant | 29/6/2015 | 216,793 | 3,000 |
| Total | | | | 251,000 |

## 34. Deed Of Cross Guarantee

Bellamy's Australia Limited, Bellamy's Organic Pty Ltd, Bellamy's Organic (South East Asia) Pte Ltd, Bellamy's Organic (Hong Kong) Company Ltd and Bellamy's Organic Food Trading (Shanghai) Co Ltd executed a deed of cross guarantee on 16 February 2015 under which each company guarantees the debts of the other. By entering into the deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Bellamy's Australia Limited, they also represent the "extended closed Group".

## 35. Summary Of Significant Accounting Policies

**Reporting entity**

Bellamy's Australia Limited is a listed public company incorporated in Australia. The address of the principal place of business and registered office is as follows:

52-54 Tamar Street
Launceston
Tasmania 7250

The entity's principal activities are the sale and distribution of organic food and formula products for babies and toddlers.

The consolidated financial statements and notes represent those of Bellamy's Australia Limited and its controlled entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Bellamy's Australia Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bellamy's Australia Limited and its subsidiaries.

**Basis of preparation**

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Bellamy's Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue on 1 September 2015 by the directors of the Company.

The amounts presented in the financial statements have been rounded to the nearest thousand dollar.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 35. Summary Of Significant Accounting Policies continued

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

**Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, other financial assets and liabilities.

**Compliance with IFRS**

The consolidated financial statements of the Bellamy's Australia Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**a Principles of consolidation**

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bellamy's Australia Limited ('Company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Bellamy's Australia Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**b Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue which is reported under the heading of net finance costs is recognised using the effective interest rate method.

Grant income is recognised as income when the grant becomes receivable.

All revenue is stated net of the amount of goods and services tax (GST).

**c Income tax**

The income tax expense for the financial reporting period comprises current income tax expense / (benefit) and deferred tax expense / (benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that the net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Bellamy's and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. Bellamy's Australia Limited, as the head entity in the tax consolidated group and its wholly owned Australian controlled entities continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Bellamy's also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

**d Foreign currency translation**

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of the Group.

Transactions in foreign currencies are converted at the exchange rates in effect at the dates of each transaction. Amounts payable to or by the Group in foreign currencies have been translated into Australian currency at the exchange rates ruling on balance date. Gains and losses arising from fluctuations in exchange rates on monetary assets and liabilities are included in the income statement in the period in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

**e Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

## 35. Summary Of Significant Accounting Policies continued

### f Employee expenses and entitlements

Provision is made for employee expenses arising to the end of the reporting period. Employee expenses that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee expenses payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee expenses.

Provision has been made in the accounts for benefits accruing to employees up to balance date, such as annual leave, long service leave and bonuses. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid. Annual leave provisions are measured at their nominal amounts using the remuneration rates expected to apply at the time of settlement and are classified in other payables. Long service leave provisions are measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date.

Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity that match estimated future cash outflows.

All on-costs, including superannuation, payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions.

### g Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### h Borrowings

Loan facilities are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual drawdown of the facility, are capitalised and amortised on a straight line basis over the term of the facility.

### i Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade receivables are generally due for settlement based upon trading terms negotiated with customers. Sales to export distributors are generally receivable before shipment. Sales to domestic customers are generally receivable approximately 45 days from invoice.

Collectability of trade receivables are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

### j Inventories

Inventories are measured at the lower of cost and net realisable value.

**k Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**l Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation or amortisation.

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 5% - 40% |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit and loss statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**m Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance leased assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Where the risks and rewards of ownership are retained by the lessor, leased assets are classified as operating leases and are not capitalised. Rental payments are charged to the income statement on a straight line basis over the period of the lease.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

## 35. Summary Of Significant Accounting Policies continued

### n Intangibles

#### Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when the project is expected to deliver future economic benefits and those benefits can be reliably measured.

#### Other intangibles

Trademark and website development costs are expensed as incurred due to the inherent uncertainty surrounding resultant future economic benefits and the ongoing nature of the costs.

### o Accounts payable

These amounts represent liabilities for goods provided prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### p Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### q Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets classified at fair value through profit and loss

From time to time the Group may hold listed investments for the purposes of trading. These investments are measured at fair value with changes in carrying amount being included in profit or loss. Fair value is determined with reference to ASX quoted bid prices.

### r Goods and Services Tax (GST)

Revenues, expense and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of an expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### s Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### t Share capital

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

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

**u Comparative figures**

When required by the Accounting Standards, comparative figures are adjusted to conform to changes in presentation for the current financial year.

In the event that the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

Comparative information is reclassified where appropriate to enhance comparability and provide more appropriate information to users.

**v Adoption of new and revised Accounting Standards**

The Group adopted the following Australian Accounting Standards together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2014:

- AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3: Amendments to Australian Accounting Standards - Impairment of Assets
- AASB 2013-4: Amendments to Australian Accounting Standards - Novation of derivatives and hedge accounting
- Annual improvement projects - 2010-2012 cycle (AASB 2014-1 Part A)
- ASX Corporate Governance Principals and Recommendations

Initial application of the above standards and interpretations has not affected any of the amounts recognised in the financial report.

**w New Accounting Standards for application in future periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods are discussed below.

| Title of standard | Nature of change | Impact | Date of adoption |
|---|---|---|---|
| AASB 9 Financial Instruments | Simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk. | Management have assessed the impact of these changes and have not yet identified any areas which would have an expected significant impact. | Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. |

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

| Title of standard | Nature of change | Impact | Date of adoption |
|---|---|---|---|
| AASB 15<br>Revenue from Contracts with Customers | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. | Management is currently assessing the impact of the new rules on its revenue recognition policies. | Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017. |
| Annual improvements 2012-2014 (AASB 2015-1) | Amendments to clarify minor points in various accounting standards, including AASB5, AASB 7, AASB 119 and AASB134. | The latest round of amendments covers:<br>• AASB 5 *Non-current assets held for sale and discontinued operations* – clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.<br>• AASB 119 *Employee benefits* – clarifies that when determining the discount rate for postemployment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country in which they arise.<br>• AASB 134 *Interim financial reporting* – clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. | Effective date 1 January 2016 |

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# Notes to the Financial Statements (cont'd)

For the Year Ended 30 June 2015

**x Rounding of Amounts**

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

# Directors' Declaration (cont'd)

In the directors' opinion:

(a) The financial statements and notes set out on pages 44 to 75 are in accordance with the *Corporations Act 2001*, including:

i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 34.

Note 35 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Rob Woolley

**Robert G. Woolley**

DIRECTOR

**Laura McBain**

CEO and Managing Director

Dated at Launceston this 1st day of September 2015.

# Independent Auditor's Report

For the years ended 30 June 2015

## Independent auditor's report to the members of Bellamy's Australia Limited

### *Report on the financial report*

We have audited the accompanying financial report of Bellamy's Australia Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement and other comprehensive income, statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Bellamy's Australia Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Auditor's responsibility*

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

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

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

#### *Independence*

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

*Continued next page*

# Independent Auditor's Report

*Auditor's opinion*

In our opinion:

(a) the financial report of Bellamy's Australia Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 35.

## *Report on the Remuneration Report*

We have audited the remuneration report included in pages 33 to 42 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Bellamy's Australia Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
1 September 2015

***PricewaterhouseCoopers, ABN 52 780 433 757***
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# Shareholder Information

## Bellamy's Australia Limited and controlled entities

The following additional information is provided in accordance with the ASX Listing Rules as at 4 August 2015.

**Number of holders of equity securities**

Ordinary share capital

95,000,392 shares are held by 6,529 shareholders. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, on a poll, for each fully paid share held.

**Unlisted options over ordinary share capital**

A total of 3,355,748 options are held by 6 individual option holders. 1,906,667 options relate to the FY2014 grant, which were granted pursuant to the Employee Share Option Plan (ESOP) on 24 June 2014. 1,449,081 options relate to the FY2015 grant, which were granted on 29 June 2015 pursuant to the Long Term Incentive Plan (LTIP). The options do not carry any voting rights.

**Restricted securities**

There are 17,567,222 fully paid ordinary shares in the Company that are subject to voluntary escrow for the period commencing from the date of quotation of the Company's shares on the ASX (5 August 2014), and ending on the date three days after the audited Company accounts for the financial year ending 30 June 2015 have been released to the ASX. On August 5 2014, an initial substantial shareholder notice was lodged with the ASX in respect of these fully paid ordinary shares which represent 18.49% of voting power. None of the beneficial holders of these shares under escrow are substantial shareholders in their own right.

**Distribution of holders of equity securities**

| Number of equity securities held | Ordinary shares | | |
|---|---|---|---|
| | No. of holders | No. of shares | % of shares |
| 1 to 1,000 | 2,118 | 1,269,428 | 1.34 |
| 1,001 to 5,000 | 2,952 | 7,961,916 | 8.38 |
| 5,001 to 10,000 | 835 | 6,654,939 | 7.01 |
| 10,001 to 100,000 | 577 | 14,361,771 | 15.12 |
| 100,001 and Over | 47 | 65,752,338 | 68.16 |
| **Total** | **1,478** | **95,000,392** | **100.00%** |

**Substantial shareholders**

| Name | Number of ordinary shares | % of voting power advised |
|---|---|---|
| Bellamy's Australia Pty Ltd (restricted securities - refer above) | 17,567,622 | 18.49% |
| The Black Prince Private Foundation | 14,000,000 | 14.74% |
| Citicorp Nominees Pty Ltd | 6,935,552 | 7.30% |
| HSBC Custody Nominees | 6,717,774 | 7.07% |
| JP Morgan Nominees | 6,665,489 | 7.02% |

# Shareholder Information

**Additional Securities Exchange Information**

**Twenty largest shareholders**

| Rank | Name | Number of ordinary shares held | % of capital held |
|---|---|---|---|
| 1 | BLACK PRINCE PRIVATE FOUNDATION | 14,000,000 | 14.74 |
| 2 | QUALITY LIFE PTY LTD | 8,186,278 | 8.62 |
| 3 | CITICORP NOMINEES PTY LIMITED | 6,935,552 | 7.30 |
| 4 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,717,774 | 7.07 |
| 5 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 6,665,489 | 7.02 |
| 6 | NATIONAL NOMINEES LIMITED | 3,225,264 | 3.40 |
| 7 | KRISAMI INVESTMENTS PTY LTD | 2,500,000 | 2.63 |
| 8 | BNP PARIBAS NOMS PTY LTD | 1,489,514 | 1.57 |
| 9 | MRKAT PTY LTD | 1,335,739 | 1.41 |
| 10 | SUETONE PTY LTD | 1,304,480 | 1.37 |
| 11 | VERMILION 21 PTY LTD | 1,165,376 | 1.23 |
| 12 | ROBERT THOMAS WILSON | 1,155,397 | 1.22 |
| 13 | UBS NOMINEES PTY LTD | 1,027,418 | 1.08 |
| 14 | BUDUVA PTY LIMITED | 1,000,000 | 1.05 |
| 15 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 678,891 | 0.71 |
| 16 | RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 602,760 | 0.63 |
| 17 | AMP LIFE LIMITED | 597,181 | 0.63 |
| 18 | COMSEC NOMINEES PTY LIMITED | 518,937 | 0.55 |
| 19 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 | 510,598 | 0.54 |
| 20 | MRS LAURA NICOLE MCBAIN | 400,000 | 0.42 |
| | **Top 20 holders of ordinary fully paid shares** | **60,016,648** | **63.18%** |
| | **Total remaining holders balance** | **34,983,744** | **36.82%** |
| | **TOTAL** | **95,000,392** | **100.00%** |

**Bellamy's Australia Limited**
ABN 37 124 272 108
ASX Code: BAL

**Principal registered office**
Bellamy's Australia Limited
52-54 Tamar Street
Launceston TAS 7250

T: (03) 6332 9200
bellamysaustralia.com.au

**Company secretary**
Mr Brian Green

**Location of share registry**
Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000