ANNUAL REPORT
2015-16

A pure start to life!

BELLAMY'S

BELLAMY'S AUSTRALIA LIMITED

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

CORPORATE DIRECTORY

Directors

Rob Woolley
(Chair)

Laura McBain
(Managing Director and Chief Executive Officer)

Ian Urquhart
(Resigned 30 June 2016)

Michael Wadley

Launa Inman

Patria Mann

Charles Sitch

Principal registered office and principal administration office

Bellamy's Australia Limited
115 Cimitiere Street
Launceston TAS 7250

T: (03) 6332 9200
F: (03) 6331 1583
bellamysorganic.com.au

Company Secretary

Brian Green

Location of share registry

LINK Market Services
Level 1, 333 Collins Street
Melbourne VIC 3000

Bellamy's Australia Limited

ABN 37 124 272 108
ASX Code: BAL

Bellamy's is a long-term growth story: the opportunity for the Bellamy's brand is vast, and our ambition for continuing growth is underpinned by a clear vision, strong brand, depth of category understanding, supply chain, and agility.

CONTENTS

A year of very strong growth

EBIT up 342% to $54.3m

Revenue up 95% to $245m

China revenues up 331%

Message from the Chair and Managing Director

In the 24 months since our listing in August 2014, Bellamy's has delivered two consecutive years of strong and growing profits for our shareholders. We have done this through our agility, focus and passion for growing a strong international organic food and formula brand from our home in Launceston.

Deep at the heart of Bellamy's is a fundamental belief that there are three basics that every child should have - the love and respect of their parents, a safe and secure home in which to grow up, and healthy wholesome food to eat. Bellamy's aim is to deliver on the third pillar by offering nutrition for children as it should be: uncomplicated, simple, organic and safe.

The shifting consumer mindset towards health foods, wellbeing and organic sees an increased understanding of, and demand for, Bellamy's quality organic products. We have leveraged this trend by simply adhering to our core business philosophy, continuing to strengthen the brand, engaging highly talented and passionate people into our team, and working with world class organic farmers, manufacturers and suppliers.

In FY16 Bellamy's earnings before interest and tax (EBIT) was up 342% to $54.3 million and revenue grew by 95% to $244.6 million. Our results are built on the strength of the Bellamy's brand and the dedication and passion of the entire Bellamy's team, our manufacturers, suppliers, distributors and retailers.

Bellamy's aims to be a world leader in organic infant nutrition.

Expansion into new global markets is a key pillar of our long term growth strategy and during the second half of FY16 Bellamy's began developing strategic distribution partners in multiple markets to set the groundwork for expansion into new countries. We scan new market opportunities and assess markets based on size potential, market gap and ability to leverage our distribution and manufacturing relationships.

A key to our success has been our ability to significantly increase organic ingredients available to us, and convert that to baby formula through our manufacturing partners. We have strengthened and developed our strategic supply, manufacturing and distribution capabilities, and this includes our agreements with Fonterra and Tatura Milk Industries. We continue to develop strong relationships with local and global farmers that can provide quality organic ingredients. We have also strategically taken steps to ensure increasing local supply of organic ingredients by working closely with Australian farmers to source our ingredients and support them in the journey of converting to organic farming.

Our consumers – parents and their children – remain at the heart of our operations. We are working strategically to communicate our understanding of the need for pure, uncomplicated nutrition to new, expectant and existing parents through the channels that resonate with them. We pride ourselves on the loyalty and trust that we have built with thousands of parents and Bellamy's babies. We truly value the supportive community our parents are building and we are continually working to enhance this positive brand experience. In FY16 our focus on social and digital media has fostered substantial growth of an engaged online Bellamy's community. Our Facebook audience alone has increased roughly 45% per cent in 12 months to nearly 90,000. We have seen growth not just in formula but also in our food range. We are the number one brand in Australia for baby cereals and pastas, and the fastest growing brand in ready to eat baby food pouches.

In order to support our growth and ensure we have the infrastructure in place to deliver on our long term vision to be a leading global organic baby food and formula company, we expanded our team over the last 12 months across various aspects of the business including production and quality, marketing and logistics. We strengthened our senior leadership team with the appointment of Andrew Cohen as Chief Operations & Strategy Officer, and Katherine Henry as Executive Director People & Culture. Having been a Director since inception, Ian Urquhart retired from the Board at the 30th of June. Ian played an important role in the growth and them evolution of the company to its present listed position. In the second half of the year we appointed two experienced non-executive Directors, Patria Mann and Charles Sitch.

We have laid the groundwork to support our growth plans into FY17 and beyond. We will continue to build on the core fundamentals of our brand, enhancing and surrounding this with great people, world class manufacturers and suppliers, and strong distribution focus in traditional and e-commerce. We look to continue to build opportunities for Bellamy's in new geographies and enhance our offering with new products. We are excited by the opportunities that lie ahead and are assured by the strong foundation we have in place, and continue to strengthen, to underpin sustainable long term growth for Bellamy's.

We again thank all of those who have supported Bellamy's in meeting our growth targets. We are focused on continuing to grow Bellamy's while supporting the further growth of the organic industry in the year ahead.

Rob Laura

Rob & Laura

Company Overview

Bellamy's is an Australian producer, supplier and marketer of 100% organic baby food and baby formula. Headquartered 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. Our products are currently distributed in Australia, Vietnam, Singapore, Malaysia, People's Republic of China, Hong Kong, and New Zealand. The products are also available through multiple online retail platforms.

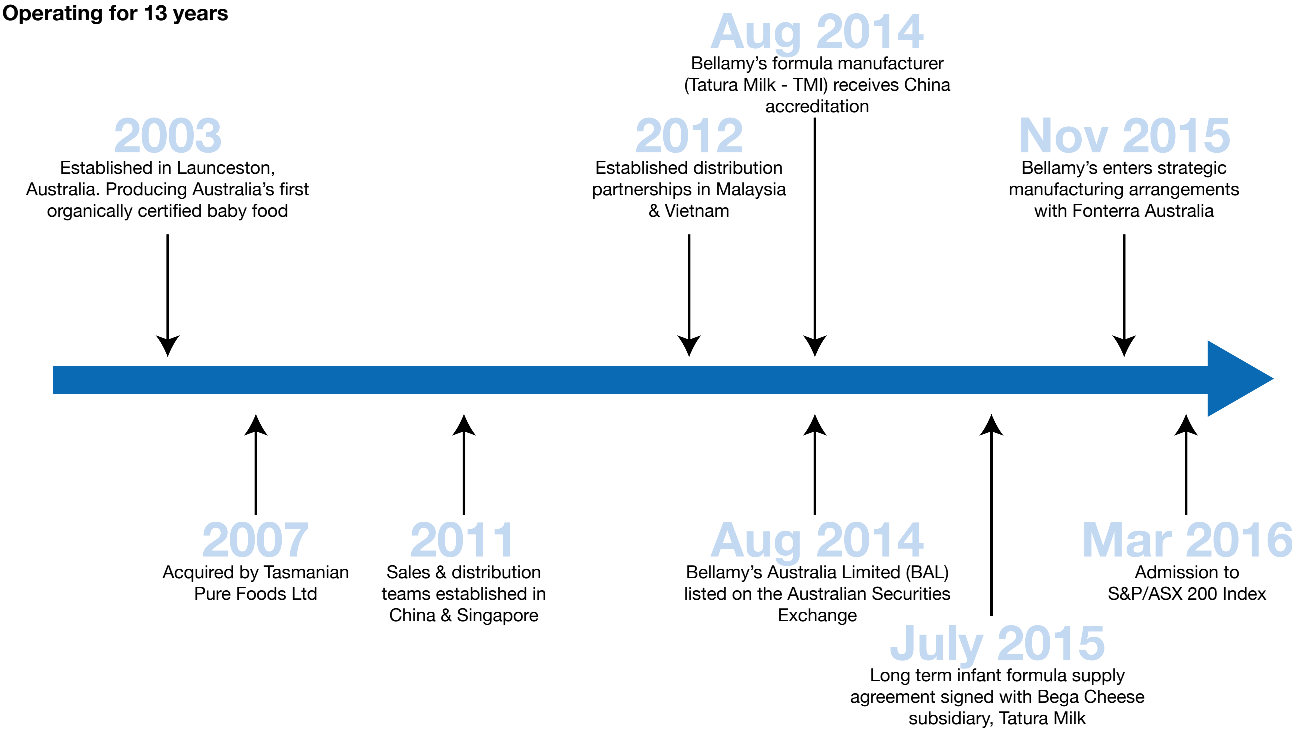
Bellamy's has a deep understanding of the complex organic global supply chain and through our strong relationships with key suppliers we have been able to promote and develop the organic food industry. We work closely with organic farmers, manufacturers and various supply chain partners to deliver high quality organic foods for babies and toddlers.

We understand parents' desire to offer their children pure, simple, uncomplicated nutrition. This understanding is at the core of everything we do, and is a key differentiator of Bellamy's.

With a clear vision, strong brand, depth of category understanding, strong supply chain, and agility, Bellamy's is uniquely placed to continue its growth trajectory, deliver its products to more parents globally, and grow shareholder value.

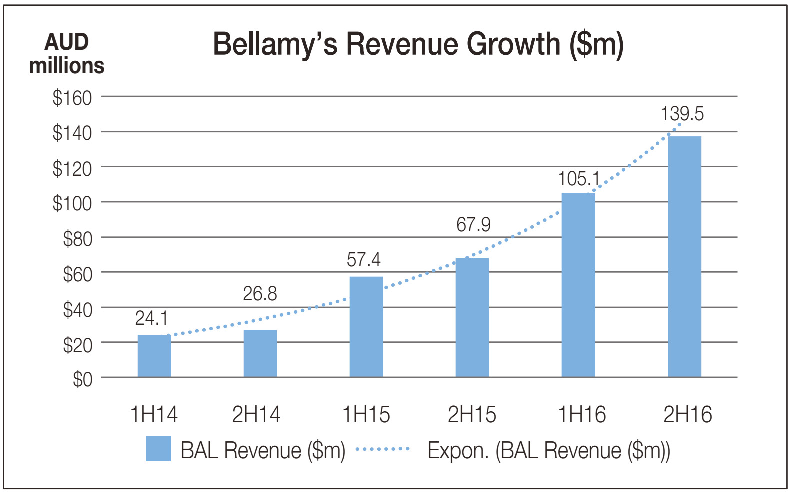
Our growth story

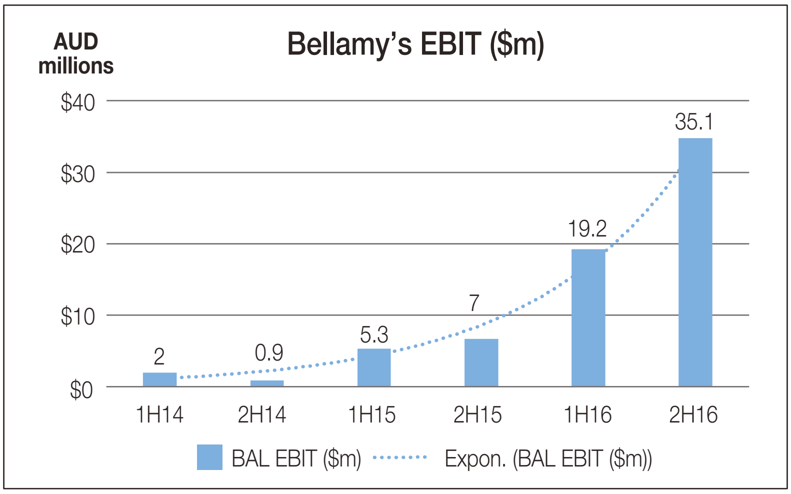
Operating for 13 years



Review of Operations

A track record of optimising returns





A strong bond with our parents

No business can exist without its customers, but for us, our customers are arguably more special than most. They are all mothers and fathers, generally starting out on the journey of parenthood – with no lessons and no manuals. We realise that we play a role in that journey of joy and discovery – and it's one that has helped shape our brand.

At Bellamy's, 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 the goodness of wholesome food to eat.

It is this understanding that drives our mission: to produce wholesome, organic food for babies and infants. We want parents everywhere to be able to give their children a "Pure Start to Life". This one mission drives our entire supply chain; from the finest organic ingredients sourced, to the care taken in how our products are made at the highest possible standards.

It is why we believe our parents have a strong bond and deeper association with Bellamy's than with other brands. This has come through strongly from our information resource pages and social media engagement. Mothers and fathers look to us for information and reassurance, provided simply and concisely, to help them come to their own parenting decisions.

Bellamy's social media engagement across key platforms in Australia continued to outperform all others in the category. As at 30 June 2016, Bellamy's was the No. 1 baby food / infant formula brand by number of followers across multiple platforms including Facebook, Twitter and Instagram.

In China, we are quickly building a strong following through social media and our word-of-mouth marketing activities. The core brand proposition resonates in the minds of parents in China as a brand offering safety and trust. Combined with a strong agency presence and our own on ground team, our digital media programs will continue to build on the assets we have already developed there.

Increasing brand awareness is critical to attracting new mothers to the category.

Review of Operations Continued

Where we play

Overall, distribution has continued to grow in FY16, as reflected by the 95% growth in net revenue over the last 12 months. Australia continues to represent the majority of sales – 78% in FY16, although a proportion of that is sales through Australian retailers that make their way to consumers in China.

Bellamy's in Australia

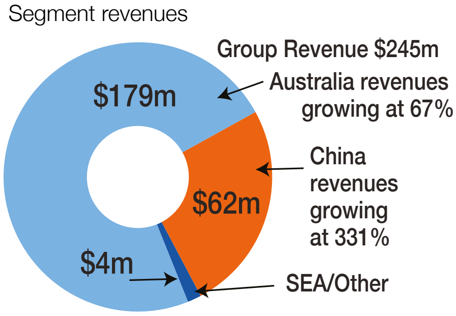
In Australia, Bellamy's products are distributed in more than 4,400 outlets across major retailers including Coles, Woolworths, Big W, Target, Costco, Chemist Warehouse, Terry White and Amcal.

We have also pushed deeper into independent supermarkets and pharmacies, which provide a strong growth channel. For example, Bellamy's continues to be the market leader in Infant Foods in Pharmacy holding more than 50% market share at June 2016 *(source: Aztec)*.

Bellamy's in China

Bellamy's recognises the importance of having a multi-channel distribution strategy in China, and providing easy access to our products for parents regardless of their physical location. This ensures that as the China market evolves, we can remain agile and adapt to changing consumer purchasing trends and government regulations.

Segment revenues



All Brands in Baby, Toddler & Kids		Website	Facebook	Instagram	Twitter	YouTube
1st	**Bellamy's Organic**	1st	1st	1st	1st	3rd
2nd	Heinz for Baby	3rd	2nd	-	-	2nd
3rd	Rafferty's Garden	10th	3rd	4th	3rd	11th

Ranking of social engagement as listed by BrandData for Infant nutrition brands in the Australian marketplace (branddata.com | August 2016)

Review of Operations Continued

Over the past 12 months there has been a continuing shift toward online purchasing of imported infant formula products through third party websites such as t-mall.com, jd.com, and vip.com, with delivery to consumers via free trade zones in China and local Chinese providers. Our multi-channel distribution strategy and strong online presence has underpinned our growth in China and strongly positions us to continue growing in this market.

In the offline (bricks and mortar) channel, we continue to build a focused and sustainable market presence, particularly in key mother and baby chain stores. With more than 30 distributors, Bellamy's products are now stocked in over 2,000 stores across China, predominantly in mother and baby chain stores.

In the online channel, we built on our flagship store's strong position on Tmall as one of the top 10 baby formula stores, and launched platforms on JD, Kaola, NetEase and VIP. Reflecting our multi-channel distribution strategy, we also commenced trading directly with reseller networks during FY16 as part of a broader strategy to remain flexible to changing consumer purchasing trends. This has offered route to market efficiencies and increased brand penetration through the activation of the resellers' unique consumer networks.

Even though we estimate our market share to currently be less than 1% of the overall China market, our current market share on online channels was around 3% at the end of June.

Supporting both online and offline sales initiatives, we commenced a brand building partnership with BabyTree, the largest parenting website in China, to improve Bellamy's brand awareness and penetration in China. BabyTree is specifically aimed at the fast-growing China maternity and baby industry. The platform offers parents the opportunity to share valuable experiences, while also obtaining positive and meaningful experiences about parenting and growth – another way we can engage with Chinese parents.

The second half of FY16 saw a number of regulatory changes announced, aimed at putting in place a clear framework for cross border e-commerce channels and a broader product registration framework covering both domestic and foreign infant formula products within the Chinese market. Bellamy's has been aware of the intentions of the regulatory authorities and was able to respond to the regulatory changes quickly and efficiently. Having operated in China for over seven years, we view the regulatory changes announced positively and believe they will further strengthen Bellamy's growth opportunities in China.

Over the past seven years, we have built a strong business in China. Our plan is to continue to maintain our presence across multiple distribution channels, remain agile and adapt to changes, while also increasing our marketing investment to further build our brand and distribution presence in the country.

Bellamy's in South East Asia

In June 2016, we entered into a strategic distribution partnership to support Bellamy's continued growth in Singapore and Hong Kong by leveraging distribution platforms.

In Vietnam, we are working towards improving Bellamy's footprint through adopting a direct to market model that will provide greater control over distribution of our products.

Review of Operations Continued

Our products

Bellamy's produces more than 40 Australian-made and organically certified products including infant formula, toddler milk, snacks, cereals, pastas and ready to eat pouches. Our product range is designed to offer various entry points to the brand for parents, whether their baby is breast-fed, formula-fed or complementary-fed. This is a unique proposition as there are no other organic brands in Australia offering a comprehensive selection of foods, and it is carefully executed to enhance the brand relevance for our families.

Our formula products

Bellamy's infant formula range is the only certified organic infant formula made in Australia.

Formula comprises approximately 96% of Bellamy's sales (increasing from 88% in the prior period).

There are three products within this progressive range:

Step 1 Organic Infant formula – suitable from birth to 12 months

Step 2 Organic Follow-on formula – suitable from 6 to 12 months

Step 3 Organic Toddler milk drink – from 12+ months

Bellamy's produces two variants of each product – one is made for the Australian and export markets, while the other is suitable for China only as it is designed to meet the different labelling and compositional requirements in China.

Our food products

Bellamy's range of cereals, pastas, ready to serve pouches and healthy snack foods deliver on our promise to offer a complete range of organic food from birth to infant. Sales of non-formula products have grown by 8% over the last 12 months.

In the Pharmacy channel Bellamy's accounts for more than 50% of baby food sales, and is the #1 brand in cereal and pastas and the fastest growing brand in ready to serve pouches.

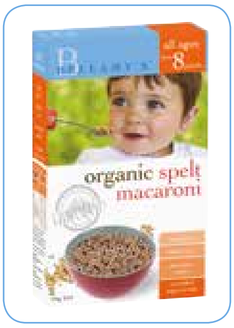
We have a substantial opportunity to grow the penetration of Bellamy's food range in Australian supermarkets, by replicating our strong performance in the Pharmacy channel.

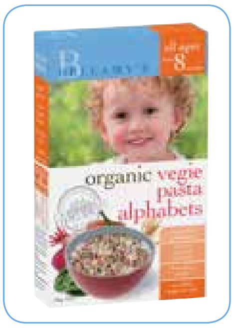
Review of Operations Continued

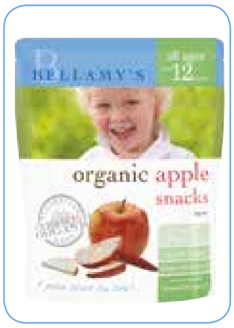
Bellamy's produces 40 unique Australian made and organic certified products including infant formula, toddler milk drink, snacks, cereals, pastas and ready to eat pouches.

Product Range

BELLAMY'S ORGANIC







Bellamy's organic supply chain is a key strength

The strong relationships we have in place with organic suppliers and product manufacturers is key to being able to bring our range of products to the market in an efficient, timely and reliable manner. As such, we continue to invest in upstream suppliers by offering long-term supply contracts on terms that recognise the long-term vision and planning required for sustainable organic food production.

Organic formula production is expanding

The announcement of our agreement with Fonterra to produce baby formula for Bellamy's in December 2015 was an exciting milestone to ensure continued growth in our baby formula range. The agreement is a five-year supply agreement and will substantially lift volumes in FY17 and beyond.

Tatura Milk Industries (TMI) continues to be a key manufacturing partner for Bellamy's. Our annual production volumes are supported by a six-year supply agreement signed in July 2015, and this continues an eight-year relationship of producing quality infant formula to exacting standards.

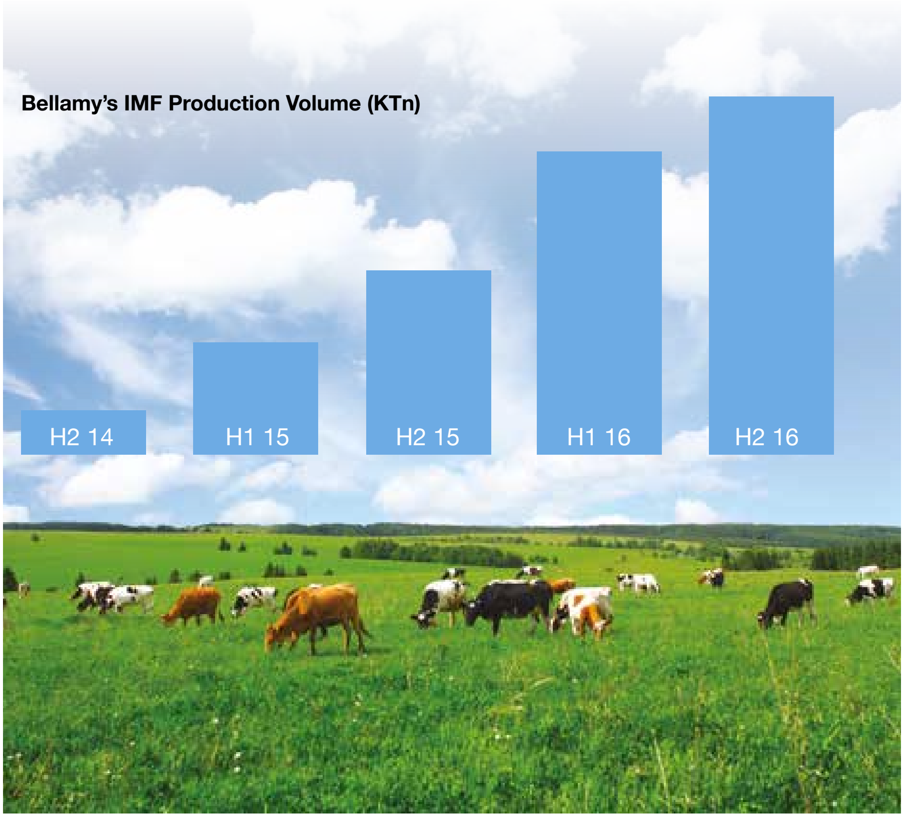
Organic formula production deliveries from Fonterra started from the first quarter of FY17. This additional manufacturing capacity has been matched to our demand requirements and ingredient availability.

Across both of the TMI and Fonterra facilities there is an opportunity to grow volumes.

We also continue to facilitate potential expansion beyond contracted capacities, both within existing infrastructure and new sites. We take the view that this will require thoughtful and practical planning that ensures compliance with regulations in the countries within which we operate both now and into the future.

The organic milk pool is growing

To support our sales activities and growth, our supply team has continued to increase the availability of organic ingredients in the short term and with a longer term view. We have several initiatives under way that ensure the ongoing demand for Bellamy's baby formula will be met, including long-term supply agreements for key organic ingredients.



Reflecting Bellamy's deep understanding of the organic supply chain, we have continued to build access to organic ingredients as evidenced by the substantial growth in volumes over the last two years. We now have access to more than double the existing ingredient pool to meet our medium term growth objectives.

Bellamy's sources organic dairy materials from multiple suppliers in Europe and deploys these materials to produce the organic ingredients destined for our infant formula products. Given our broad relationships, we have been working closely with co-ops and dairies across Europe to increase our access to existing available milk and provide opportunities for farmers to convert their farms to organic.

We continue to explore how we can support conversion of Australian farms to organic and are confident that our story will serve to encourage farmers to take this opportunity. A small group of farmers in Tasmania is now working through plans for conversion to organic milk – this is the starting point for our ongoing plans for organic milk to be developed in Tasmania and Australia more broadly.

Our people and office locations

By most business standards, the Bellamy's team is lean and efficient. This is due in part to choosing experienced committed people – but for the most part it is choosing people who are a strong fit with our internal values and culture – and work towards a higher purpose to help change the world.

We believe it is our purpose that galvanises our people. By producing wholesome, organic food, our people genuinely believe that they are helping to shape the next generation's mindful eating habits. And in their own small way, they are helping Bellamy's create better, healthier lives. It is this belief that makes our people a mirror of our brand personality, since our internal values are also those of our brand.

But we also realise that their commitment to the business is only one part of the equation: we also have a commitment to our people. We aim to give them the opportunity, support and environment to do the best work of their careers.

Our focus on people repays the business through the positive feedback we receive from our business partners, and our Bellamy's users.

The Bellamy's team is primarily based in Launceston, with sales teams located in Sydney, Melbourne, Perth, Brisbane, China and Singapore. During the year we also opened an office in Melbourne to support the strategic growth in our team. 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.

Bellamy's rapid growth over the past 12 months has accelerated our people needs across all aspects of the business in order to ensure we have the right platform to grow sustainably over the longer term. This has seen the number of employees increase by 50% over FY16 across both Australian and Asian locations, and also across all facets of the business, enabling us to build on the strength of our existing teams.

As part of this growth, we have strengthened Bellamy's senior leadership team with the appointment of a Chief Operations & Strategy Officer, and an Executive Director People & Culture.

It is expected the Bellamy's team will continue to grow over FY17 in Australia and Asia to achieve our growth ambitions in those markets.

Bellamy's is a strong advocate for diversity in the workplace, and 67% of our team are women. At an executive level, over 33% of the executive team are women, and at board level, 50% of the directors are women. Bellamy's will continue to advocate for women in senior positions, and aims to foster a culture of diversity in various ways, notably through the promotion of people from within our organisation to leadership roles at Bellamy's.

Financial Review

Exceptional growth in FY16 earnings

Sustainably growing while optimising returns

The table below outlines the key consolidated financial performance indicators for FY16.

Statutory Profit Results

	Financial Year ended 30 June 2016 ($000)	Financial Year ended 30 June 2015 ($000)	Period Movement Up/Down ($000)	Period movement up/down %
Revenue	244,583	125,302	119,281	95%
EBIT	54,306	12,286	42,020	342%
Profit before income tax expense	54,894	12,981	41,913	323%
Income Tax expense	(16,566)	(3,908)	(12,658)	324%
Net Profit after income tax expense	38,328	9,073	29,255	322%

Underlying Profit Results [(1)]

	For the year ended 30 June 2016			For the year ended 30 June 2015		
	Statutory Profit ($000)	Non-Recurring Items ($000)	Underlying Profit ($000)	Statutory Profit ($000)	Non-Recurring Items [(2)] ($000)	Underlying Profit ($000)
Revenue	244,583	-	244,583	125,302	-	125,302
EBIT	54,306	-	54,306	12,286	1,312	13,598
Profit before income tax expense	54,894	-	54,894	12,981	1,312	14,293
Net Profit after income tax expense	38,328	-	38,328	9,073	918	9,991

(1) Bellamy's has followed the guidance for underlying profit as issued by the ASIC regulator Guide RG230 'Disclosing non-IFRS information'. The profit and loss summary with a prior period comparison provided in the table above, has been sourced from the audited accounts but has not been subject to separate review or audit. The Directors believe that the presentation of the unaudited non-IFRS profit and loss summary in the table is useful for users as it reflects the underlying profits of the business.

(2) Non-recurring items in 2015 include $1.3m in relation to obsolete stock from the Ready to Go products.

Bellamy's has delivered another record year. We have optimised returns and achieved exceptional growth in earnings in FY16, with EBIT up 342% to $54.3 million. With revenue of $244.8m achieved, this delivered a FY16 EBIT margin of 22.2%.

We have used the growing earnings and cash flows to commence a business reinvestment program during H2 FY16 in order to put in place the building blocks required – people, infrastructure and marketing – to drive sustainable growth and further optimise long term returns.

We will continue our investment program with FY17 being a year of increasing sophistication for the business to ensure we have the right platform in place to drive sustainable long-term growth. Our plans will see a further $15-20 million invested into the business in FY17 to complete this investment program. This investment will position the business for sustainable earnings growth in FY18 and beyond.

Revenue

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 retailers
- Direct to consumers through Bellamy's online store and through other e-commerce platforms, including tmall.com, jd.com. and vip.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.

Financial Review Continued

Group revenue for FY16 was $244.6 million which is a 95% increase on FY15, reflecting:

- Increased brand awareness
- Growth across all retailers
- New distribution points with independent retailers in the domestic market
- Growth across online distribution channels.

Gross Profits

The gross profit margin for FY16 was 45.7% compared to 32.9% in FY15, reflecting:

- Change in channel mix, with online channels delivering higher gross profit margins
- Price rise in the domestic market for infant formula products, which was implemented in December 2016, together with the flow-on effect into our e-commerce flagship store pricing in China.

This was the first price increase Bellamy's implemented in approximately five years and brought our product more into line with an appropriate price level for premium / organic infant formula products.

The last six months of FY16 also saw us strengthen Bellamy's presence in multiple e-commerce channels with numerous new relationships commencing on various platforms directly servicing Chinese consumers. This influenced the mix of sales across our channels in FY16.

From a product cost perspective, we are focused on leveraging the benefits of increased production volumes and working closely with manufacturers, distributors and suppliers to develop sustainable long-term pricing solutions for the entire supply chain. We recognise the importance of security of ingredient supply, and the investment required to achieve this in order to ensure access to increased volume of ingredients as the company continues to grow.

As we further build brand awareness, ensuring our products are accessible to the broader demographic of customer is also important. As such, we plan to invest in appropriate strategic promotional activities to attract new consumers to our brand (for example via social media campaigns). The focus on attracting customers early in the product lifecycle will enhance our product annuity and provide greater return on investment, as parents progress through the product range at various touchpoints in their child's development.

Costs of Doing Business

Over FY16, we have been able to improve profitability through managing costs while growing revenues.

1. Employment costs

This year, we have made a clear and purposeful investment in our people and this will continue in FY17. We anticipate the number of people employed by Bellamy's will grow over the next 12 months, however we will continue to pursue the right balance between acquiring high quality talent, the appropriate number of resources and the costs associated with the growth of our people.

2. Marketing costs

Marketing spend has increased for the year at 2.9% of revenue (FY15 2.0%). We increased digital marketing over the second half of FY16 – further developing our web platforms across Australia and Asia, increasing our social media presence and increasing our e-commerce marketing initiatives through strategic partnerships with a number of e-commerce platform providers. In addition, we invested more into market research, brand awareness and other brand building initiatives to support the future growth of the company.

3. Distribution and selling costs

Bellamy's utilises third party warehousing providers and logistics providers for the safe supply and delivery of products. One of the outcomes of the sales volume growth we have achieved are operational efficiencies that assist us in optimising returns.

During FY16, new warehouses in Hong Kong and China were contracted to deliver services to the expanding sales network. The new warehouses have been necessary to meet the needs of our multiple e-commerce sales channels and to support our offline distribution strategy in China.

Other costs of selling include e-commerce platform fees and commissions and merchandising costs. In the next 12 months Bellamy's will continue its transition from an outsourced merchandising model for Australia to an in-house model. This will further optimise returns by improving efficiencies in costs while also improving ranging and distribution of Bellamy's products through a dedicated merchandising force.

Overall, distribution and selling costs have reduced as a percentage of revenue.

Strong growth in shareholder returns

Building on Bellamy's performance in FY15 and growth outlook, the company's share price continued to rise in FY16. As at 30 June 2016, Bellamy's share price was $10.20 (30 June 2015: $4.37). This is significant growth since listing on 5 August 2014 at $1.30.

Financial Review Continued

Reflecting the company's strong balance sheet and growth outlook, in February 2016 the Board declared a fully franked interim dividend of 4.1 cents per share. A fully franked final dividend of 7.8 cents per share was declared by directors on 19 August 2016.

The total dividends paid and declared for FY16 represent a payout ratio of 30% of FY16 profit after tax.

Cash from operations and other sources of cash

Cash balances remained relatively stable over the period, increasing by $0.3 million, closing at $32.3 million.

During FY16, the company generated positive cash flows from operations of $8.9 million. The primary factor driving this has been strong sales, a strong debtors' collection cycle and improved trading terms with suppliers.

Inventory balances have increased significantly as a result of the addition of a second manufacturing partner (Fonterra) and the ingredients required to support this initiative, as well as levels of finished goods to support the current sales rate of the business. Ingredients on hand at 30 June 2016 comprised approximately 50% of overall inventory value at that date.

The investment into our supply chain through the building of raw materials inventory is a measured and deliberate one. While drawing on working capital, this strategy is important in supporting Bellamy's ability to remain flexible and responsive to the fast growing market demand for our products.

Inventory management remains a focus for us. We are mindful of the business's cash flow requirements as it continues to grow, and have appropriate funding arrangements in place to meet our requirements.

Outlook: strong growth will facilitate business reinvestment that will underpin longer term returns

Bellamy's remains focused on delivering sustainable growth in FY17 through:

- Increasing market penetration in Australia to drive further volume share growth
- Strengthening distribution growth in China and South East Asia by leveraging online and offline sales channels
- Innovating new organic products within the baby category
- Building on our deep understanding of the complex organic global supply chain through strong partnerships, open communications, and arrangements that support mutual growth to meet our growing supply requirements.

In Australia, the business will continue to deepen distribution both geographically and with new retailers. Opportunities for further growth are focused on increasing our product ranging across retailers with the full product suite, and developing new accounts with smaller retailer and pharmacy groups. In FY17, new product development will focus on innovation within existing ranges and products specific to the China market.

In China, we are focused on further growing our multi-channel distribution, and further developing online and offline distribution of the Bellamy's range, with baby formula as the spearhead.

Having quickly built a top 10 presence on Tmall, and with the China consumer buying more and more online, we aim to capture a growing portion of the e-commerce market through platforms such as Tmall, JD, VIP, and BabyTree.

While the China regulatory environment has undergone substantial change over the past six months, we were aware well in advance of the pending changes and were ready to adapt. We believe the changes implemented by the China government are important to ensure safe products for consumers, and believe we are well placed to continue to grow as a result of those changes.

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. Strong forward planning and a commitment from our supply chain to meet the high demand for Bellamy's products has ensured that not only have we been able to achieve exceptional growth over FY16, but we will be able to supply a substantial uplift in manufacturing volumes over FY17 and beyond. This underpins our ability to continue to meet the fast-growing demand for our products globally.

Risk Management

Bellamy's considers the identification, evaluation and control of risks to the business and corporate strategy an important underpinning to growth.

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 Bellamy's. The following are considered to be the material risks to the business and our approach to managing those 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 effect 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 Regulations

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

The group has exposure to movements in foreign currency exchange rates through:

- Sales to distributors and customers in foreign currency
- Inventory purchases
- Translations of net investments in foreign subsidiaries denominated in foreign currencies.

During FY16, Bellamy's sales were predominantly transacted in Australian dollars. For the internal operations in the entities in Singapore, Hong Kong and China, all income and expenses are conducted in local currency.

Consistent with previous financial years, the Bellamy's contract with its import agent in China was conducted in Australian dollars. Prices were renegotiated in July 2015 with consideration to future exchange rates movements and to ensure a sustainable pricing solution for both parties.

In addition, Bellamy's trades via the t-mall.com and jd.com global platforms. These platforms allow Chinese consumers to pay for their goods in RMB via transaction facilities operated by the two platforms. Funds collected are remitted to Bellamy's in Hong Kong dollars, and in US dollars. The exchange rate used by the transaction facilities is reflective of the spot market price. Bellamy's will monitor this transaction basis as the monies traded increase proportionately to the business.

Bellamy's imports many ingredients 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.

In order to hedge against the exposure to fluctuations in exchange rates associated with the direct purchase of ingredients by Bellamy's, the company enters into forward exchange contracts (AUD/EUR only at this stage), which are designated as cash flow hedges. The company also aims to create natural hedges wherever possible. 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

Independent Non-executive Chair

Member of the Remuneration and Nomination Committee

Member of the Audit and Risk Committee

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

Rob is Chair of TasFoods Limited and was previously a Board member and Chair of Tandou Limited. He was also Managing Director of Webster Limited and prior to that role a partner for approximately twenty years in Deloitte including senior management roles in that firm.

Rob has also served on various Government Boards and committees.

Rob holds a Bachelor of Economics, is a Fellow of the Institute of Chartered Accountants, and a member of the Institute of Company Directors.

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 the 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 (resigned 22 April 2016)

Member of the Audit and Risk Committee (resigned 22 April 2016)

Ian resigned as an Independent Non-executive Director of Bellamy's Australia Ltd on 30 June 2016

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 was a Chief Financial Officer and director of the PGA Group Pty Ltd for over thirty years and taught 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 (resigned 22 April 2016)

Member of the Audit and Risk Committee

Michael was appointed a Non-executive Director in 2014 and has been based in Shanghai over 15 years

Michael is a principal at Wadley Consulting Shanghai Co. Ltd, and has served three terms on the Board of Directors of the Australian Chamber of Commerce in Shanghai and previously headed up the China practice groups of two national Australian law firms. He is a committee member of the Australian China Business Council, Queensland, and a Fellow of the Australian Institute of Company Directors.

Michael holds a Bachelor of Laws from Queensland University of Technology, 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.

Launa Inman

Independent Non-executive Director

Member of the Audit and Risk Committee (resigned 22 April 2016)

Chair of the Remuneration and Nomination Committee (appointed 22 April 2016)

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, Super Retail Group Limited, and Precinct Properties New Zealand Limited 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.

Patria Mann

Independent Non-executive Director

Chair of Audit and Risk Committee (appointed 22 April 2016)

Patria was appointed a Non-executive Director on 10 March 2016. Patria is an experienced non-executive Director who is currently on the boards of Event Hospitality and Entertainment (formerly Amalgamated Holdings), Ridley Corporation, Allianz Australia and Perpetual Superannuation.

Patria was formerly a Partner at KPMG. She holds a Bachelor of Economics (University of Sydney), is an associate of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

Charles Sitch

Independent Non-executive Director

Member of the Remuneration and Nomination Committee (appointed 22 April 2016)

Charles was appointed a Non-executive Director on 10 March 2016. Charles is currently a Director of Spark Limited (formerly Telecom New Zealand Limited), and Apiam Animal Health Limited. He is also Chairman of the Robin Boyd Foundation and Board Member of Trinity College (Melbourne).

Charles was previously a Director of the global management consulting firm McKinsey & Co for 24 years. Charles has a Bachelor of Law / Commerce from the University of Melbourne, an MBA from Columbia Business School, and is a Graduate of the Australian Institute of Company Directors.

Executive Team

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.

Andrew Cohen

Chief Operations and Strategy Officer

Andrew was appointed as COO and Chief Strategy Officer in June 2016. Andrew brings extensive experience in grocery, retail and FMCG, including successful and extensive China go-to-market experience in vitamins, infant formula and dairy.

Prior to joining Bellamy's, Andrew worked as a Partner with Bain & Company where he held a leadership role in Consumer Products and Retail practice. With over 10 years' retail and FMCG experience in management and consulting roles, Andrew has worked with multiple high profile companies to capitalise on the greatest opportunities in the sector and delivering strategies to accelerate growth across multiple platforms.

Andrew holds a Bachelor of Commerce and Arts, University of Melbourne, and completed an MBA, Cambridge University (Dux).

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.

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 2016. 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 financial year are:

Rob Woolley

Independent Non-executive Chair

Laura McBain

Managing Director and CEO

Ian Urquhart

Independent Non-executive Director

Michael Wadley

Independent Non-executive Director

Launa Inman

Independent Non-executive Director

Patria Mann

Independent Non-executive Director

Charles Sitch

Independent Non-executive Director

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

- Patria Mann – appointed 10 March 2016
- Charles Sitch – appointed 10 March 2016
- Ian Urquhart – resigned 30 June 2016

See more information about the Board of Directors on pages 30 and 31.

1.2 Directorships of other listed companies

At the date of this report, Directorships of other listed companies held by directors in the 3 years immediately before the date of this report are as follows:

Director	Company	Period of directorship
Robert Woolley	TasFoods Limited Tandou Limited	Since September 2015 2011 - 2015
Launa Inman	Commonwealth Bank Limited Billabong International Limited Precinct Properties Pty New Zealand Super Retail Group Limited	Since 2011 2012 - 2013 Since October 2015 Since November 2015
Patria Mann	Ridley Corporation Limited Event Hospitality & Entertainment Limited	Since 2013
Charles Sitch	Spark New Zealand Limited Apiam Animal Health Limited	Since 2011 Since 2015

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	452,277	Nil
Laura McBain	1,165,376	1,356,795
Ian Urquhart	1,000,000	Nil
Michael Wadley	Nil	Nil
Launa Inman	26,020	Nil
Patria Mann	4,000	Nil
Charles Sitch	Nil	Nil

During FY2016 530,918 options were issued to Laura McBain under the Long Term Incentive Plan (LTIP) for senior executives of the Company. Refer to the note 8 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:

Directors	Board of Directors Attended A	Board of Directors Held B
Robert Woolley	13	13
Laura McBain	13	13
Ian Urquhart[1]	11	13
Michael Wadley	13	13
Launa Inman	13	13
Patria Mann[2]	5	5
Charles Sitch[2]	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.

1 Resigned as Non-Executive Director of the Board on 30 June 2016

2 Since appointment on 10 March 2016

Directors' Report Continued

Attendances at the Audit & Risk Committee and the Remuneration & Nominations Committee meetings during the financial year were as follows:

Directors	Audit and Risk Committee		Remuneration and Nominations Committee	
	Attended A	Held B	Attended A	Held B
Robert Woolley	7	7	9	9
Ian Urquhart[1]	7	7	6	9
Michael Wadley[2]	7	7	5	5
Launa Inman[3]	6	7	9	9
Patria Mann[4]	1	1	N/A	N/A
Charles Sitch[5]	N/A	N/A	3	3

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

1 Resigned as the Chair of the Audit and Risk Committee as of 22 April 2016.
2 Resigned as Chair and Member of the Remuneration and Nominations Committee as of 22 April 2016.
3 Appointed as the Chair of the Remuneration and Nominations Committee as of 22 April 2016.
4 Appointed as the Chair of the Audit and Risk Committee as of 22 April 2016.
5 Appointed as a Member of the Remuneration and Nominations Committee as of 22 April 2016.

2. Share options granted to directors and senior management

On 23 December 2015, in accordance with the employee Long Term Incentive Plan (as approved by the shareholders at the annual general meeting on 20 October 2015), the company issued 896,632 conditional vesting options to the managing director and other senior management as part of their remuneration.

The exercise price for the 2016 grant options is $4.97; however the options can only be exercised if specific performance hurdles are met. These options expire five years after the date of the grant which should be no later than 23 December 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.

On 30 June 2016 a further grant of options was made to Andrew Cohen under the Long Term Incentive Plan.

The details of grant of options are set out below:

Directors and senior management	No. of options granted FY2016	No. of options granted 30 June 2016	Total No. of ordinary shares under option
Laura McBain	530,918	-	1,356,795
Shona Ollington	112,000	-	328,793
Andrew Cohen	-	689,950	689,950
Other executives	253,714	-	253,714
	896,632	**689,950**	**2,629,252**

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

3. Company Secretary

Mr B Green, Chartered Accountant, held the position of Company Secretary of Bellamy's Australia Limited at the end of the financial year. He joined Bellamy's Australia Limited in 2007 and previously held the position of CFO. He was appointed as Company Secretary in 2014.

4. Corporate Governance

The Board endorses the ASX Corporate Governance Council recommendations, 3rd edition. The Group has taken the opportunity to disclose its 2016 Corporate Governance Statement in the Governance tab on the website at bellamysaustralia.com.au.

As required, the Group has also lodged the 2016 Corporate Governance Statement with the ASX.

5. Principal activities

The principal activities of the group during the course of the financial year were the supply, 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.

6. Review of operations

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

Changes in the state of affairs

There have been no significant changes in the state of affairs of the group during the financial year.

7. Events since the end of the financial year

No matters or circumstances have arisen since 30 June 2016, which have significantly affected the group's operations, results or state of affairs, or may do so in future financial years.

8. Future developments

The Group will continue to pursue its strategic business growth objectives through its sustainable growth model focusing on:

- premium quality,
- innovation;
- strengthening its brand awareness and diversification of its sales channels; and
- continuing to build on its sustainable operating platform through enhancement of its internal systems and operating processes.

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.

9. 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.

10. Dividends

On 19 August 2016, the Directors declared a fully franked final dividend of 7.8 cents per share for the financial year ended 30 June 2016 (2015: 2.86 cents per share).

In respect of the half year ended 31 December 2016, an interim dividend of 4.10 cents per share (2015: Nil) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 26 February 2016.

11. 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*. 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.

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 51 and forms part of the Directors report for the year ended 30 June 2016.

12.2 Statutory auditors

For the year ended 30 June 2016 PricewaterhouseCoopers ("PWC") acted as the Groups' external auditor. A representative from PWC will be available to the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the 2016 audit report.

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 written advice provided by resolution of the Audit and Risk 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 31 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed and ratified by the Audit and Risk 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 of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

Message from the Chair of the Remuneration and Nomination Committee

Dear Shareholders,

The Board of Bellamy's Australia Ltd ("Bellamy's" or the "Company") is pleased to present Bellamy's Remuneration Report for the 2015/16 financial year (FY16).

This year, Bellamy's continues to deliver solid growth and financial returns for its shareholders, continuing the trend of the last 5 years and particularly since listing 24 months ago.

The Bellamy's Board believes that critical to delivering its short term business objectives and long term strategic ambitions for continued growth and expansion is the remuneration strategy. It should embrace the company's high performance, ambitious and entrepreneurial culture to continue to deliver performance for our shareholders.

The changes to remuneration introduced by the board in FY15 and adopted by shareholders at our last AGM have enabled the board to grow and serve our shareholders. In March 2016 Bellamy's appointed two new Non-executive Directors, Patria Mann and Charles Sitch. Both appointments strengthen the Board diversity and depth. The appointment of Patria Mann means that 50% of Bellamy's board are women, and as a leading company providing organic nutrition solutions to families, Bellamy's actively promotes and advocates diversity in the workplace.

Bellamy's Board saw the retirement of longstanding director, Ian Urquhart, on 30th June 2016 after having held a role as director since Bellamy's inception in 2007.

A continued focus of the business is to build the leadership and executive team. During FY16, Bellamy's appointed Katherine Henry as Executive Director People & Culture and Andrew Cohen as Chief Operations & Strategy Officer. These appointments build the strength and diversity of Bellamy's leadership as the business continues to grow.

In a rapidly expanding and growing business, it is necessary to regularly review policies and practices. We, therefore, intend to undertake a review during FY17 to establish a remuneration strategy and framework that aligns with Bellamy's business and growth strategy. There will be a focus on the mix of fixed versus variable remuneration and measures and targets for both the short term and long-term incentive plans. With strong share price growth, it is especially important that any reward for executives under the long-term incentive plan is clearly linked to business performance and our shareholders' expectations.

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

Launa Inman

Chair - Remuneration and Nomination Committee

Details of senior executive remuneration for FY16 prepared in accordance with statutory obligations and accounting standards, are contained in section 8 of this Report.

The remuneration calculations in the table in section 8 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 FY16. The amounts disclosed below are considered more helpful for shareholders as it reflects the senior executives 'actual pay' in FY16. It is important to note that the STI and LTI amounts are amounts earned based on performance during FY16 that vested and/or were paid in FY17.

Name	Fixed (including super) $	Other benefits[1] $	STI[2] $	LTI[3 & 4] $	Total $
Laura McBain	$597,469	$33,572	$393,011	$0	$1,024,052
Shona Ollington	$297,658	$0	$197,736	$0	$495,394
Andrew Cohen[5]	$9,023	$0	$0	$0	$9,023
Total	**$904,150**	**$33,572**	**$590,747**	**$0**	**$1,528,469**

1. Other benefits paid to Laura McBain relate to reportable fringe benefits provided during FY16 of $33,572.
2. This amount includes the actual FY15 STI payments and the approved FY16 STI amounts.
3. No options under the Bellamy's LTI plan vested during FY16.
4. As part of the IPO the CEO was granted 953,000 options, and as disclosed in the 2015 remuneration report 100% of these options vested and the CEO exercised them in full. As details of this one off grant were disclosed in 2015 remuneration report they have not been disclosed in this table.
5. Andrew Cohen commenced employment with the Company on 27 June 2016.

Remuneration report (audited)

The Board of Bellamy's is committed to ensuring that our remuneration practices and policies drives a culture of performance and ensures executives are rewarded for the delivery of results and the achievement of Bellamy's short-term financial objectives and long-term business strategy and ultimately delivering value for our shareholders.

This report outlines the remuneration framework and outcomes of Bellamy's, for key management personnel for the year ended 30th June 2016. It also enables our investors to understand:

- The costs and benefits associated with Bellamy's remuneration practices and policies; and
- The link between Bellamy's performance and the remuneration paid to the CEO and executives.

This report has been prepared in accordance with section 300A of the *Corporations Act 2001 (Cth)*.

The Report is divided into the following sections:

1 Key management personnel

The term key management personnel ("KMP") refers to those persons having the authority and responsibility for planning, directing and controlling the activities of the Consolidated entity ("Group"), directly or indirectly and includes any director of the Group (whether executive or otherwise).

The KMP of Bellamy's for the year ended 30 June 2016 were:

Non-executive Directors	Role
Robert Woolley	Chair
Ian Urquhart (Resigned 30th June 2016)	Non-executive Director
Michael Wadley	Non-executive Director
Launa Inman	Non-executive Director
Patria Mann (Appointed 10th March 2016)	Non-executive Director
Charles Sitch (Appointed 10th March 2016)	Non-executive Director
KMP - Executive Director	
Laura McBain	Managing Director and CEO
KMP Executives	
Shona Ollington	Chief Financial Officer
Andrew Cohen (Appointed 27th June 2016)	Chief Operations & Strategy Officer

2 Role of the Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee is to assist the Board by ensuring that Bellamy's:

- has coherent and appropriate remuneration policies and practices which enable Bellamy's to attract and retain non-executive directors and executives who will create value for shareholders;
- fairly and responsibly remunerates non-executive directors and executives having regard to the performance of Bellamy's, the performance of the executives and the general market environment;
- has polices to evaluate the performance and composition of the Board, individual directors and executives on an annual basis with a view to ensuring that Bellamy's has a Board that can properly discharge its responsibilities and duties;
- has adequate succession plans in place (including for the recruitment or appointment of non-executive directors and executives); and
- has policies and procedures that are effective to attract, motivate and retain appropriately skilled employees that meet Bellamy's needs and 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 below.

The Remuneration & Nomination Committee has a Charter which outlines the terms of reference under which it operates. It is available online at www.bellamysaustralia.com.au.

3 Engagement of remuneration consultants

The Remuneration & Nomination Committee periodically engages independent external consultants to advise and assess the remuneration of the Chair, Non-executive Directors, CEO and those executives reporting to the CEO.

During FY16, the Remuneration & Nomination Committee engaged Egan Associates Pty Ltd ("Egan Associates") as a remuneration consultant.

In selecting the remuneration consultant, the Remuneration & Nomination Committee considered potential conflicts of interest and required the consultant's independence from management as part of their terms of engagement. Egan Associates were asked to provide a remuneration recommendation in relation to the KMPs remuneration. The recommendations were provided to, and discussed with the Chair of the Remuneration & Nomination Committee. 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. Considering the above factors, the Board is therefore satisfied that remuneration advice provided was free from undue influence by any of the Company's senior management.

Bellamy's paid $53,937 (including GST) to Egan Associates in respect of remuneration advice and recommendations for NED fees, CEO and senior executive reward levels and arrangements, and the Bellamy's long term incentive plan (including the valuation of options).

4 Remuneration policy & strategic direction

Bellamy's remuneration policy aims to attract and retain the best available people to run and manage Bellamy's and align their interests with our shareholders. The Board is committed to having a remuneration policy that rewards, and retains executives, for achieving our business objectives and delivering shareholder returns.

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 Bellamy's financial results, Bellamy's seeks to create alignment between the interests of executives and shareholders.

In the case of non-executive directors, their remuneration does not contain performance-based or 'at risk' components. Non-executive directors are paid fees and are encouraged to hold shares in Bellamy's.

As advised to shareholders in the FY15 remuneration report, the Board has committed to revisit incentive arrangements to ensure the right hurdles are in place as the company continues to grow. Accordingly, a further review of Bellamy's remuneration framework will be undertaken in FY17.

4.1 Executive remuneration structure

Executives' total remuneration package may be comprised of the following elements:

- Total Fixed Remuneration (base salary + superannuation)
- At-Risk Remuneration:
  - Short Term Incentive ("STI")
  - Long Term Incentive ("LTI")

Currently Bellamy's uses base salary for the purposes of calculating STI and/or LTI amounts. In FY17 Bellamy's will move to a fixed remuneration approach for the purposes of calculating STI and/or LTI amounts.

The relative weighting of fixed and variable components for target performance is set according to the scope of the executive's role.

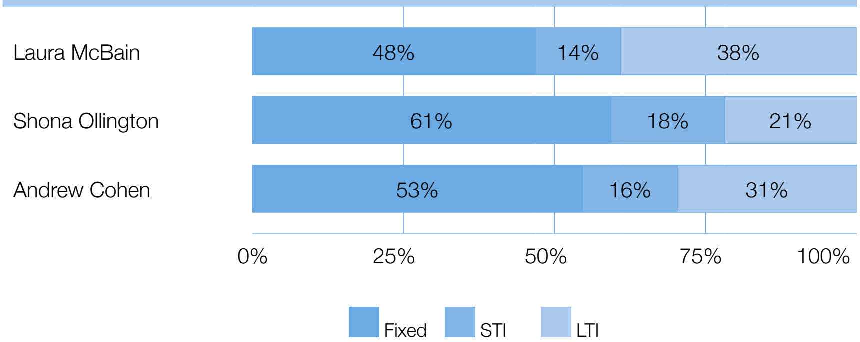
The 'at-risk' component for the CEO and those executives reporting to her (including KMP executives) ranges from 20% to 110% of base salary, with an average of 60%. For the KMP the 'at risk' components are as follows:

	Short Term Incentive (At-Target)[1]	Short Term Incentive (Stretch)[2]	Long Term Incentive[3]
KMP - Executive Director			
Laura McBain	30%	50%	80%
KMP Executives			
Shona Ollington	30%	50%	35%
Andrew Cohen	30%	50%	60%

1. The short-term incentive is the total payment at-target as a % of base salary.
2. KMP executives' STIs have a stretch component that is designed to encourage above at-target performance as a % of base salary.
3. The long-term incentive refers to the value, of any grant as a % of base salary.

The mix of each component as a percentage of the KMP's base salary is shown in the graph below with a detailed description of each element discussed in more detail below.

Remuneration Mix



4.2 Fixed remuneration

The remuneration for executives includes a fixed component comprised of base salary and employer superannuation contributions. To ensure that fixed remuneration for Bellamy's executives remains competitive and it is reviewed regularly by the Remuneration & Nomination Committee with reference to individual performance and relevant comparative remuneration in the market.

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

As disclosed in the FY15 remuneration report, a review of the CEO's and CFO's fixed remuneration was undertaken during FY15 and the Board approved a remuneration increase for the CEO and CFO for FY16.

Effective from 1 July 2015, Laura McBain's fixed remuneration was increased to $600,000 (inclusive of superannuation), an 88% increase, and Shona Ollington's fixed remuneration was increased to $299,308 (inclusive of superannuation), a 50.2% increase.

In approving this increase, the Remuneration & Nomination Committee and the Board sought independent advice and were satisfied that the increase was necessary to ensure that the Company's remuneration levels are aligned with the market.

Details of KMP executives' total fixed remuneration for the year ended 30 June 2016 (and 30 June 2015) can be found in the 'Remuneration Tables' section of this report.

4.3 Short term incentive arrangements

The Bellamy's short-term incentive plan rewards the executives for performance against a pre-determined scorecard of measures linked to Bellamy's short-term business performance for 12 months, together with individual performance. The specific performance measures may vary from year to year depending on the business's objectives, but are chosen on the basis that they will increase financial performance, market share, and shareholder returns.

Bellamy's adopted the following STI structure for FY16.

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. 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 base salary, with a target opportunity and a maximum opportunity to encourage stretch performance. This ensures that target and stretch performance are rewarded.
What are the KPIs?	Performance is measured against: • Financial Group performance; • Financial Business Unit performance • Non-Financial KPIs relevant to the individual's role and responsibilities. The STI plan applies beyond KMP.
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 to support further growth.
How are the KPIs measured (and why was this method chosen)?	Financial KPIs are assessed quantitatively against predetermined targets. 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. The Board believes the STI provides the right measures and appropriately challenging targets for participants.
How is the STI delivered?	As cash
Why does the Board consider the STI plan an appropriate incentive?	The STI plan is designed to encourage and reward high performance. It puts a significant proportion of the executives' remuneration at-risk against targets linked to the Company's performance objectives and therefore supports the alignment between the interests of the executive, Bellamy's and our shareholders.

4.3 Short term incentive arrangements continued

Details of those KMP executives' who received an STI payment for the year ended 30 June 2015 and 30 June 2016, the proportion to be received for at-target and stretch performance, achieved STI, and the amount forfeited, is shown in the tables below.

For the year ended 30th June 2016 STI amounts indicated below are subject to an annual review and payable subsequent to 30 June 2016 upon ratification and recommendation by the Remuneration & Nomination Committee and approval by the Board.

2015	STI $ At-Target	STI $ Stretch	STI Achieved	% At-Target STI Achieved	% Stretch STI Achieved	% Stretch STI Forfeited
KMP - Executive Director	**$**	**$**	**$**	**%**	**%**	**%**
Laura McBain	90,000	150,000	126,000	140.0%	84.0%	16.0%
KMP Executives	**$**	**$**	**$**	**%**	**%**	**%**
Shona Ollington	54,000	90,000	74,400	137.8%	82.7%	17.3%

2016	STI $ At-Target	STI $ Stretch	STI Achieved	% At-Target STI Achieved	% Stretch STI Achieved	% Stretch STI Forfeited
KMP - Executive Director	**$**	**$**	**$**	**%**	**%**	**%**
Laura McBain	174,208	290,346	267,011	153.3%	92.0%	8.0%
KMP Executives	**$**	**$**	**$**	**%**	**%**	**%**
Shona Ollington	84,000	140,000	123,336	146.8%	88.1%	11.9%

4.4 Long term incentive arrangements and the employee share option plan

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 those of 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 LTI arrangements.

The terms and conditions that applied to the FY16 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. However, senior executives are required to pay an exercise price to exercise the options and receive shares, unless the company operates a cash equivalent amount in lieu.
What is the performance period?	The FY16 grant was divided into two tranches. The performance period that applies to each tranche is set out below.

	% of grant	Performance measure	Relevant performance period
Tranche 1	50%	Earnings per share	1/07/2015 – 30/06/2018
Tranche 2	50%	Share price growth	1/07/2015 – 30/06/2018

Vesting of both tranches will occur on or after 1 September 2018 subject to the Board determining that the applicable performance hurdles have been met. After vesting, the options will be exercisable from the date the Company issues a vesting notice for the Options (or any later date specified in the vesting notice).

What are the performance hurdles and why were they chosen?	As set out above, the first tranche of the grant is subject to an earnings per share ("EPS") performance hurdle, and the second tranche is subject to a share price growth ("SPG") performance hurdle. 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 hurdle that directly correlates to improved shareholder value. 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. Further details 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. 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. Threshold vesting of options commences at 12% compound annual growth over the applicable performance period. Full vesting occurs for compound annual growth in EPS at levels consistent with outperformance.

Company's EPS	% of options that will vest in Tranche 1
Less than 12%	Nil
12%	20%
Above 12% but less than maximum	Between 20% and 100%, as determined on a pro-rata, straight line basis
At or above maximum	100%

The levels of EPS CAGR required to attract full vesting of the options under the Board approved long-term plan are commercially sensitive and, therefore, will not be disclosed at this time. The applicable EPS CAGR targets will be, however, disclosed on a retrospective basis in the Remuneration Report following the end of the performance period to ensure transparency for shareholders.

How does the SPG performance hurdle work?	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 SPG	% of options that will vest in Tranche 2
Less than 12%	Nil
12%	20%
Above 12% but less than 18%	Between 20% and 100%, as determined on a pro-rata, straight line basis
At or above 18%	100%

The Board has determined that the opening share price to be used for the purpose of the SPG Hurdle is $6.27. This has been set by reference to the average broker consensus share price target determined after the announcement of the Company's full year financial results for FY15.

Remuneration Report Continued

Process for assessing performance conditions	The EPS performance hurdle is assessed based on the Company's audited financial statements. This method of measurement was chosen as the use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. The Board has determined that the SPG performance hurdle will be assessed based on the growth in the Company's share price from $6.27 over the relevant performance period. The Board believes the LTI provides the right measures and appropriately challenging targets for participants.
What are the rights attaching to the options?	No voting rights or entitlements to dividends are attached to the options.
What is the exercise price and how was it determined?	$4.97 The Board determined the exercise price with consideration to the 10 day VWAP (5 days pre the release of the annual results on 21st August 2015 and 5 days post).
When do the options expire?	23rd December 2021.
What happens on cessation of employment?	If a participant ceases to be employed due to termination for cause, all options held will lapse with effect from the date of cessation. 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. Any options that vest based on performance against the hurdles will vest immediately. All other options will lapse.
What happens on a change of control?	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. 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. Any options that vest based on performance against the hurdles will vest immediately. All other options will lapse.

5 Executive contracts

The remuneration and other terms of employment for the executives are covered in formal employment contracts that have no fixed terms. Bellamy's may terminate an executive immediately for cause, in which case the executive is not entitled to any payment other than the value of total fixed remuneration (and accrued entitlements) up to the termination date.

Name	Notice Period by Bellamy's	Notice Period by Executive	Termination / Redundancy Payment
KMP - Executive Director			
Laura McBain	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. If the CEO'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.
KMP Executives			
Shona Ollington	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. 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.
Andrew Cohen	6 months	6 months	The Company has discretion to make a payment in lieu of all or part of the notice period. If the CO&SO is made redundant or his employment is terminated in circumstances where there has been a fundamental change to his role, he is entitled to a severance payment that varies depending on his 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.

6 Non-executive directors' remuneration structure

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.

6.1 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 $1,000,000 as determined by Shareholders at an Annual General Meeting held on 20th October 2015.

For FY16, non-executive directors' annual base fees were $82,125 each. The Chair of the Board Committees (Audit & Risk Committee and the Remuneration & Nomination Committee) received an additional annual fee of $6,570 and Committee members received a fee of $3,285. The Chairman of the Board received a fee of $219,000 and no extra fees for membership of Committees. These amounts were inclusive of any superannuation entitlements that any Group company is required to make in respect of the payment.

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 non-executive directors' decide is appropriate where a director performs extra work or services.

Remuneration Report Continued

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

A review of the structure of the non-executive directors' fees will be undertaken in FY17 as part of the overall review of the Bellamy's remuneration strategy & framework.

7 Relationship between remuneration policy and company performance

The Board recognises that each executive needs a significant portion of their remuneration to be at-risk and be linked to Bellamy's annual business objectives and actual performance.

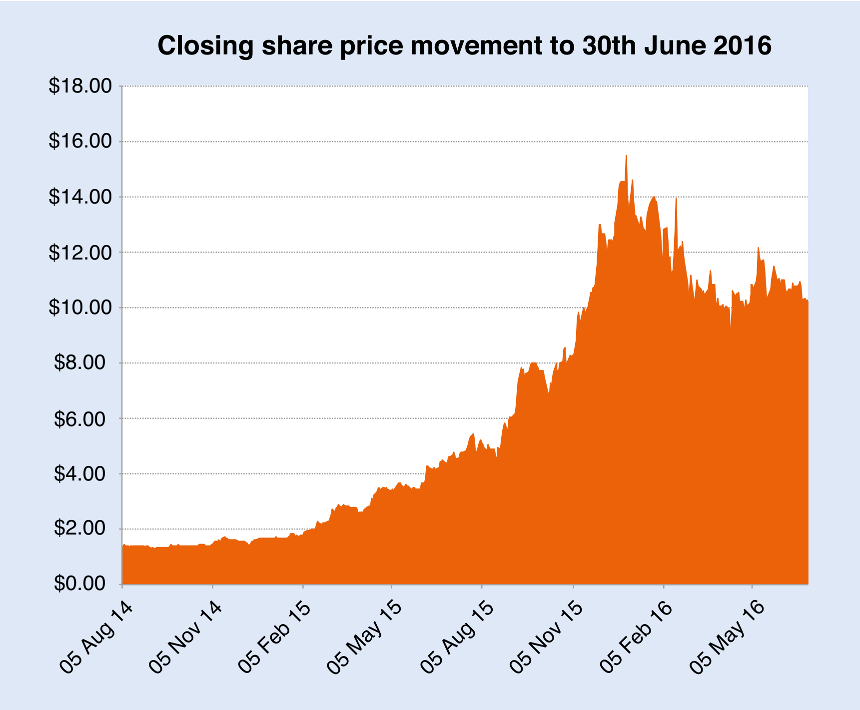
Remuneration is linked to performance by:

- Requiring a proportion of the executives remuneration to vary with the short-term and long-term performance of Bellamy's;
- Setting clear expectations on target and stretch performance objectives required for STI payments to ensure quality results; and
- Assessment of long-term performance through multiple measures to provide a complete picture of Bellamy's performance and the increase in shareholder value.

The following table shows the relationship between KMP executives' at-risk remuneration and Bellamy's financial performance:

Financial Year Ended 30 June	2016	2015
Revenue ($000)	$244,583	$125,302
EBIT ($000)	$54,306	$12,286
EBIT Growth	342%	497%
Share price at start of year	$4.37	$1.30
Share price at end of year	$10.21	$4.37
Share price growth	134%	236%
Interim dividend (cents per share)	4.1	0.00
Final dividend/distribution (cents per share)	7.8	2.86
Total dividend/distribution (cents per share)	11.9	2.86
Basic EPS (cents per share)	39.8	9.8
Average STI payout as a % at-target for eligible KMP executives[1]	**150.05%**	**138.89%**

The following graph shows the Bellamy's share price movement since 5th August 2014 (the day Bellamy's was admitted to the ASX Official List): $1.30 to $10.21 as at 30th June 2016 (784%).



Remuneration Tables – Directors and KMP Executives

Details of the nature and amount of each element of the remuneration and shareholdings of the KMP of the consolidated entity are set out in the following tables.

Table A: Remuneration for key management personnel for the year ended 30th June 2016

		Short Term Employee Benefits			Post-employment Benefits		Share Based Payments			
	Year	Salary/Fees[1]	STI Payment[2]	Non-monetary benefits	Superannuation	Long term employment benefits	Shares	Options[3]	Total	Performance Related
Non-executive Directors		**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Robert Woolley	**2016**	**200,000**	**0**	**0**	**19,000**	**0**	**0**	**0**	**219,000**	**-**
	2015	130,000	0	0	12,350	0	0	0	142,350	-
Ian Urquhart	**2016**	**84,000**	**0**	**0**	**7,980**	**0**	**0**	**0**	**91,980**	**-**
	2015	62,500	0	0	5,937	0	0	0	68,437	-
Michael Wadley	**2016**	**84,000**	**0**	**0**	**7,980**	**0**	**0**	**0**	**91,980**	**-**
	2015	64,554	0	0	6,133	0	0	0	70,687	-
Launa Inman	**2016**	**81,000**	**0**	**0**	**7,695**	**0**	**0**	**0**	**88,695**	**-**
	2015	22,001	0	0	2,090	0	0	0	24,091	-
Patria Mann	**2016**	**24,437**	**0**	**0**	**2,322**	**0**	**0**	**0**	**26,759**	**-**
	2015	0	0	0	0	0	0	0	0	-
Charles Sitch	**2016**	**23,860**	**0**	**0**	**2,267**	**0**	**0**	**0**	**26,127**	
	2015	0	0	0	0	0	0	0	0	-
KMP - Executive Director										
Laura McBain	**2016**	**578,533**	**267,011**	**33,572**	**18,936**	**51,723**	**0**	**293,757**	**1,243,532**	**45%**
	2015	287,675	126,000	12,324	25,115	15,746	0	248,018	714,878	52%
KMP - Executives										
Shona Ollington	**2016**	**279,231**	**123,336**	**0**	**18,427**	**440**	**0**	**58,777**	**480,211**	**38%**
	2015	155,769	74,400	0	14,798	0	0	3,576	248,543	31%
Andrew Cohen	**2016**	**8,241**	**0**	**0**	**782**	**0**	**0**	**5,733**	**14,756**	**39%**
	2015	0	0	0	0	0	0	0	0	0%

1. The fees for P Mann and C Sitch represent those fees earned but not paid until after 30th June 2016.
2. The amounts shown for STI relates to the actual payments for FY15 and the approved amounts for FY16.
3. The fair value of performance rights as at the date of their grant has been determined in accordance with AASB 2 Share-based Payment. The amount shown is the amortised expense for FY16.

Share based payments

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

	Year	Option Series	Grant Date	Number Granted	Value of Options Granted $	Number Vested	Percentage of Grant Forfeited
KMP - Executive Director							
Laura McBain[1]	**2016**	**FY16 Grant**	**23-Dec-15**	**530,918**	**464,554**	**Nil**	**Nil**
	2015	FY15 Grant	29-Jun-15	825,877	240,000	Nil	Nil
KMP Executives							
Shona Ollington[1]	**2016**	**FY16 Grant**	**23-Dec-15**	**112,000**	**98,000**	**Nil**	**Nil**
	2015	FY15 Grant	29-Jun-15	216,793	63,000	Nil	Nil
Andrew Cohen[2]	**2016**	**FY16 Grant**	**30-Jun-16**	**689,950**	**1,275,000**	**Nil**	**Nil**
	2015	FY15 Grant	n/a	0	0	Nil	Nil

1. The value of the options are calculated at the grant date and are amortised over the period from grant date to the vesting date for purposes of accounting and KMP remuneration reporting. For L. McBain and S. Ollington the fair value of each option at the grant date for the FY15 grant was $2.31 and for the FY16 grant was $1.04.
2. The options granted to A. Cohen consist of 3 grants. The grants were made on 1st July 2016 and were as follows:
    i. A grant of 37,575 as a sign-on offer with a vesting date of 30th June 2017, nil exercise price and a fair value of each option at the grant date of $1.21;
    ii. A grant of 369,125 based on the offer made to other KMP as part of the FY15 Grant with a vesting date of 30th June 2017, an exercise price of $9.98 and a fair value of each option at the grant date of $1.21; and
    iii. A grant of 283,250 based on the offer made to other KMP as part of the FY16 Grant with a vesting date of 30th June 2018, an exercise price of $9.98 and a fair value of each option at the grant date of $1.58.

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).

Options over shares in Bellamy's Australia Limited

Table C: Shows the movements during FY16 in the options over shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

	Year	Options held at Start of Year	Granted as remuneration in FY16	Vested in FY16 and exercisable[1]	Exercised during the reporting period	Forfeited in FY16	Options held at End of Year
KMP - Executive Director							
Laura McBain	**2016**	**1,779,210**	**530,918**	**953,333**	**(953,333)**	**0**	**1,356,795**
	2015	953,333	825,877	0	0	0	1,779,210
KMP Executives							
Shona Ollington	**2016**	**216,793**	**112,000**	**0**	**0**	**0**	**328,793**
	2015	0	216,793	0	0	0	216,793
Andrew Cohen	**2016**	**0**	**689,950**	**0**	**0**	**0**	**689,950**
	2015	0	0	0	0	0	0

1) The 953,333 options that vested and were exercisable in FY16 relate to the one-off grant made to the Managing Director and CEO as part of a short term incentive disclosed in the 2014 remuneration report. The options had an exercise price of $1.00 and the fair value of each option at the grant date was $0.29.

Fully paid ordinary shares of Bellamy's Australia Limited

Table D: Shows the movement during FY16 in the shares of Bellamy's held, directly, indirectly or beneficially, by each KMP, including their related parties is as follows:

	Year	Shares held at Start of Year	Net other changes [(1) & (2)]	Shares held at End of Year
Non-executive Directors		**No.**		**No.**
Robert Woolley	**2016**	**1,335,739**	**(883,462)**	**452,277**
	2015	3,080,438	(1,744,699)	1,335,739
Ian Urquhart	**2016**	**2,500,000**	**(1,500,000)**	**1,000,000**
	2015	3,727,089	(1,227,089)	2,500,000
Michael Wadley	**2016**	**0**	**0**	**0**
	2015	0	0	0
Launa Inman	**2016**	**22,000**	**4,020**	**26,020**
	2015	0	22,000	22,000
Patria Mann	**2016**	**0**	**4,000**	**4,000**
	2015	0	0	0
Charles Sitch	**2016**	**0**	**0**	**0**
	2015	0	0	0
KMP - Executive Director				
Laura McBain	**2016**	**1,565,376**	**(400,000)**	**1,165,376**
	2015	1,565,376	0	1,565,376
KMP Executives				
Shona Ollington	**2016**	**0**	**0**	**0**
	2015	0	0	0
Andrew Cohen[3]	**2016**	**13,750**	**0**	**13,750**
	2015	0	0	0

1. As disclosed in the 2015 remuneration report the CEO was granted 953,333 options (no other KMP executives received a grant). The Board has determined that 100% of the options granted to the CEO would vest as a result of the achievement of an NPAT of $9.073m for FY15. Accordingly, the options granted to the CEO became fully exercisable and the CEO exercised these options in full shortly after the release of the FY15 results and sold the shares.
2. There were no shares held nominally by KMP as at 30 June 2016 and as at the date of this report.
3. These shares were acquired by A Cohen before he commenced employment with Bellamy's on 27th June 2016.

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

Rob Woolley

Robert G. Woolley
CHAIR

Laura McBain

Laura McBain
CEO and Managing Director

Dated at Launceston this 19th day of August 2016

Auditor’s Independence Declaration

As lead auditor for the audit of Bellamy's Australia Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

2. 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
19 August 2016

Financials

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Revenue	5	244,583	125,302
Cost of sales		(132,855)	(84,095)
Gross Profit		**111,728**	**41,207**
Other income	5	522	397
Direct costs (distribution costs)		(28,510)	(15,191)
Employee costs	6(a)	(10,433)	(5,606)
Marketing & promotion costs		(6,969)	(2,509)
Administrative costs		(11,725)	(5,298)
Depreciation, amortisation		(307)	(447)
IPO transaction costs		-	(267)
Earnings before net interest and tax (EBIT)		**54,306**	**12,286**
Net interest revenue	6(b)	588	695
Profit before tax		**54,894**	**12,981**
Income tax expense	7	(16,566)	(3,908)
Profit for the year		**38,328**	**9,073**
Other comprehensive income (net of tax)			
Items that may be reclassified to profit and loss in future periods			
Changes in the fair value of cash flow hedges		(565)	-
Income tax relating to these items			
Exchange differences arising from translation of wholly owned foreign entities		(599)	(146)
Total comprehensive income for the year		**37,164**	**8,927**
Earning/s per share			
Basic earnings per share (cents)	3	39.8	9.8
Diluted earnings per share (cents)		38.6	9.5

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Assets			
Current assets			
Cash and cash equivalents	21(a)	32,295	32,035
Trade and other receivables	8	33,887	20,867
Inventories	11	67,752	17,148
Other financial assets	9	500	-
Financial assets at fair value through profit or loss	10	283	217
Other assets	16	4,475	407
Total current assets		**139,192**	**70,674**
Non-current assets			
Property, plant and equipment	12	1,105	617
Intangible assets	13	1,704	104
Deferred tax assets	18	1,500	775
Total Non-current assets		**4,309**	**1,496**
Total assets		**143,501**	**72,170**
Liabilities			
Current liabilities			
Trade and other payables	14	48,373	19,109
Borrowings	15	113	108
Provisions	17	328	179
Derivatives	23	807	-
Current tax liabilities	18	10,495	3,664
Total Current Liabilities		**60,116**	**23,060**
Non-current liabilities			
Borrowings	15	18	130
Provisions	17	146	69
Total Non-current liabilities		**164**	**199**
Total liabilities		**60,280**	**23,259**
Net assets		**83,221**	**48,911**
Equity			
Issued capital	19	40,216	39,655
Reserves	20	2,829	340
Retained profits		40,176	8,916
Total equity		**83,221**	**48,911**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Issued capital $000	Foreign currency translation reserve $000	Cashflow hedge reserve $000	Share based payment reserve $000	Retained earnings $000	Total $000
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
Balance as at 30 June 2015	**39,655**	**(159)**	**-**	**499**	**8,916**	**48,911**
Balance as at 1 July 2015	**39,655**	**(159)**	-	499	8,916	48,911
Comprehensive income						
Profit for the year	-	-	-	-	38,328	38,328
Other comprehensive income	-	(214)	(565)	-	(385)	(1,164)
Total comprehensive income	**-**	**(214)**	**(565)**	**-**	**37,943**	**37,164**
Issue of shares (net of transaction costs	561	-	-	-	-	561
Dividends	-	-	-	-	(6,683)	(6,683)
Share based payments	-	-	-	3,268	-	3,268
Other transfers	-	-	-	-	-	-
Balance as at 30 June 2016	**40,216**	**(373)**	**(565)**	**3,767**	**40,176**	**83,221**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Cash receipts from customers		231,092	123,418
Cash payments to suppliers and employees		(214,416)	(119,160)
Cash generated from operations		16,676	4,258
Interest received		598	745
Dividends received		5	4
Other revenue		38	-
Interest paid		(10)	(31)
Income taxes paid		(8,412)	(236)
Net cash inflow operating activities	21 (b)	**8,895**	**4,740**
Cash flows from investing activities			
Proceeds sale property plant & equipment		1	-
Purchases of property, plant & equipment		(752)	(267)
Purchases of intangibles		(1,651)	(120)
Net cash outflow from investing activities		**(2,402)**	**(387)**
Cash flows from financing activities			
Proceeds share issue		561	23,425
Repayment of borrowings		(107)	(217)
Proceeds from borrowings		-	40
Dividends paid		(6,684)	-
Net cash out flow from financing activities		**(6,230)**	**23,248**
Net increase in cash and cash equivalents		**263**	**27,601**
Cash and cash equivalents at the beginning of the financial year		32,035	4,434
Effects of exchange rate changes		(3)	-
Cash and cash equivalents at the end of the financial year	21 (a)	**32,295**	**32,035**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

These are the consolidated financial statements of Bellamy's Australia Limited and its subsidiaries. A list of all subsidiaries is included in Note 25. 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.

HOW NUMBERS ARE CALCULATED

1 Significant changes in the current reporting period

No significant matters or circumstances arose in the current 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 9 to 27.

Changes in accounting policy since the most recent interim financial report

During the current year, the Group elected to early adopt AASB 9 'Financial Instruments'. AASB 9 contains guidance on hedge accounting that replaces the existing requirements of AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework.

- As a result of early adoption of AASB 9, there has been no material impact on amounts reported in these financial statements; however application of this standard has resulted in additional disclosures which are incorporated in Note 23.
- The changes were adopted retrospectively with no impact on retained earnings in the current or previous financial years or interim financial reports.

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 formula and 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 Chinese distributors and online sales from third party websites to Chinese customers.

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

Management primarily uses a measure of earnings before interest and tax (EBIT) to assess the performance of the operating segments.

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 Continued

For the year ended 30 June 2016

2 Segment Information continued

b) Segment disclosures

a. Segment reporting	Australia 2016 $'000	Australia 2015 $'000	China/Hong Kong 2016 $'000	China/Hong Kong 2015 $'000	Other/South East Asia 2016 $'000	Other/South East Asia 2015 $'000	Consolidated 2016 $'000	Consolidated 2015 $'000
External sales	178,629	107,045	62,144	14,137	3,809	4,119	244,583	125,302
Other revenue	(311)	15	(206)	297	215	634	(302)	946
Segment Revenue	**178,318**	**107,060**	**61,938**	**14,435**	**4,025**	**4,753**	**244,281**	**126,248**
Segment EBIT	**35,628**	**13,009**	**20,873**	**416**	**340**	**685**	**56,842**	**14,110**
Unallocated corporate expenses	-	-	-	-	-	-	(2,537)	(1,823)
Group EBIT	-	-	-	-	-	-	**54,306**	**12,286**
Net financing (costs)/revenue	-	-	-	-	-	-	588	695
Profit before tax from continuing operations	-	-	-	-	-	-	**54,894**	**12,981**
Total segment assets	**91,089**	**37,343**	**17,463**	**1,099**	**1,154**	**918**	**109,706**	**39,360**
Total segment liabilities	**46,931**	**19,744**	**1,352**	**2,540**	**90**	**489**	**48,373**	**22,773**
Other disclosures								
Depreciation, amortisation & impairments	249	436	39	9	2	2	290	447
Income tax	15,082	3,868	1,738	103	(255)	(63)	16,566	3,908
Acquisition of segment assets	719	252	25	7	8	8	752	267

b. Reconciliation of segment assets and liabilities	Australia 2016 $0	Australia 2015 $0	China/Hong Kong 2016 $0	China/Hong Kong 2015 $0	Other/South East Asia 2016 $0	Other/South East Asia 2015 $0	Consolidated 2016 $0	Consolidated 2015 $0
Segment assets	91,089	37,343	17,463	1,099	1,154	918	109,706	39,360
Unallocated								
Cash and cash equivalents							32,295	32,035
Deferred tax assets (net)							1,500	775
Total assets							**143,501**	**72,170**
Segment liabilities	46,931	19,744	1,352	2,540	90	489	48,373	22,773
Unallocated								
Provisions (employee benefits)							474	248
Borrowings							131	238
Derivatives							807	-
Current tax liabilities							10,495	-
Total liabilities							**60,280**	**23,259**

Notes to the Financial Statements

For the year ended 30 June 2016

SHAREHOLDER RETURNS

3 Earnings per share

	2016 cents	2015 cents
Basic earnings per share (a)	39.8	9.8
Diluted earnings per share (b)	38.6	9.5

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of $38,328,000 (2015: $9,073,000) and the weighted average number of shares outstanding of 96,350,131 (2015: 92,534,639)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the weighted average number of shares outstanding of 96,656,397 and unexercised employee options of 3,035,662 (2015:3,355,746).

4 Dividends to Shareholders

On 19 August 2016, the Directors declared a fully franked dividend of 7.80 cents per share). Dividends of 2.86 cents per share were paid during the previous financial year.

In respect of the financial year ended 30 June 2016, an interim dividend of 4.10 cents per share (2015: Nil) franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 26 February 2016.

As at 30 June 2016, the level of 30% franking credits available to shareholders on a tax paid basis were $14,095,000 (2015: $4,566,000). 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 2016. The ability to utilise franking credits is dependent upon the ability to declare dividends.

Notes to the Financial Statements Continued

For the year ended 30 June 2016

PROFIT AND LOSS INFORMATION This note provides further information about individual line items in the profit and loss statement	2016 $000	2015 $000
5 Revenue		
Revenue from continuing operations	**244,583**	**125,302**
Other income		
Grants received	39	-
Dividends received	5	4
Fair value increment/(decrement) – financial assets	66	(27)
Gain/(loss) on disposal of assets	(8)	(4)
Commissions received	353	382
Sundry income	67	42
Total other income	**522**	**397**

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).

	Note	2016 $000	2015 $000
6 Expenses			
a. Employee benefits			
Wages, salaries, bonuses		6,528	4,193
Superannuation		332	324
Other employee related expenses		3,573	1,088
		10,433	**5,606**
b. Net finance revenue/(costs) (unrelated parties)			
Interest revenue		598	745
Interest expense – financial liabilities		(10)	(50)
		588	**695**
c. Other expenses from continuing operations			
Depreciation – property, plant & equipment	12(b)	256	203
Amortisation and impairment of product development costs		36	244
Amortation of software		17	-
Write-off obsolete stock		657	1,312
IPO transaction costs		-	267

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 $000	2015 $000
7 Income tax expense		
a) Amounts recognised in profit or loss:		
Current tax expense	14,482	4,020
Deferred tax expense / (benefit)	2,084	(112)
Adjustments for current tax of prior periods	-	-
Total income tax expense / (benefit)	**16,566**	**3,908**
b) Numerical reconciliation between tax expense and profit before tax.		
Profit before tax from continuing operations	54,894	12,981
Prima facie tax payable at 30% (2015:30%)	16,468	3,894
Non deductible expenditure	6	3
Other	(51)	-
Effect of different overseas tax rates	(1,571)	36
Impact of Controlled Foreign Company Rules	1,714	-
R&D benefits	-	(4)
Losses not previously recognised	-	6
Tax effect of inter-entity eliminations	-	(27)
Total income tax expense / (benefit)	**16,566**	**3,908**
Weighted average effective tax rates	30%	30%

Notes to the Financial Statements Continued

For the year ended 30 June 2016

	2016 $000	2015 $000
FINANCIAL ASSETS & FINANCIAL LIABILITIES		
8 Trade and other receivables		
Current		
Trade debtors (a)	33,582	20,343
Loss allowance provision	(60)	-
	33,522	20,343
Other debtors	365	524
	33,887	20,867

a) Accounting for trade receivables

The average number of days outstanding for trade debtors is approximately 30 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. Collectability of trade receivables is reviewed on an ongoing basis and written off by reducing the carrying value when known to be uncollectable. The impairment amount is recognised within administrative costs.

b) Credit risk

The company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 30 June 2016 is determined as follows:

2016	Current $000	More than 30 days $000	More than 60 days $000	More than 120 days $000	Total $000
Expected loss rate	0.3%	-	-	-	
Gross carrying amount	18,308	15,138	136	-	33,582
Loss allowance provision	60	-	-	-	60

	$000
Closing loss allowance as at 30 June 2015	0
Opening loss allowance as at 1 July 2015	0
Increase in loss allowance recognised in profit or loss during the period	60
As at 30 June 2016	60

The gross carrying amount of trade receivables is $33.6million (2015: $20.3million).

During the period, the company made no write offs of trade receivables that it did not expect to receive future cash flows from and made no recoveries from collection of cash flows previously written off.

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 $000	2015 $000
9 Other financial assets		
Current		
USD held in trust	500	-
	500	**-**
10 Financial assets at fair value through profit and loss		
Current		
Listed equity securities	283	217
	283	**217**

Listed equity securities

The shares are held for trading and are designated as financial assets at fair value through profit and loss. Changes in fair value are included in the statement of comprehensive income under the heading of other income. The fair value increased by $66,500 (2015: decreased by $27,000).

NON-FINANCIAL ASSETS & LIABILITIES

	2016 $000	2015 $000
11 Inventories		
Current assets		
Raw materials & stores at cost	20,726	3,117
Goods in transit	11,917	-
Finished goods at cost	35,109	14,031
	67,752	**17,148**

Inventories are measured at lower of cost and net realisable value

	2016 $000	2015 $000
12 Property, plant and equipment		
a) Carrying amounts		
Plant and Equipment		
At cost	1,238	903
Accumulated depreciation	(452)	(327)
	786	**576**
Leasehold Improvements		
At cost	564	212
Accumulated depreciation	(245)	(171)
	319	**41**
Total Property Plant & Equipment	**1,105**	**617**

Notes to the Financial Statements Continued

For the year ended 30 June 2016

	Plant & equipment	Leasehold improvements	Total $000
12 Property, plant and equipment continued			
b) Reconciliation of carrying amount			
Balance as at 1 July 2014	503	50	553
Additions	184	83	267
Disposals	-	-	-
Depreciation expense	(111)	(92)	(203)
Balance as at 30 June 2015	**576**	**41**	**617**
Balance as at 1 July 2015	576	41	617
Additions	400	352	752
Disposals	(8)	-	(8)
Depreciation expense	(182)	(74)	(256)
Balance as at 30 June 2016	**786**	**319**	**1,105**

Non-current assets pledged as security

Plant and equipment pledged as security for asset purchase liabilities has a written down value of $103,000 (2015: $123,000).

	2016 $000	2015 $000
13 Intangible assets		
Product development costs		
Cost	1,555	348
Accumulated amortisation and impairment	(36)	(244)
	1,519	**104**
Software		
Cost	202	-
Accumulated amortisation	(17)	-
	185	**-**
Total intangibles	**1,704**	**104**

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.

Product development costs will be amortised over 3 years, or where the product line is discontinued, the balance is written off during that financial period.

	2016 $000	2015 $000
14 Trade and other payables		
Current		
Trade payables	42,359	17,016
Sundry payables and accrued expenses	6,014	2,093
	48,373	**19,109**

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

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 $000	2015 $000
15 Borrowings		
Current		
Secured liabilities		
Asset purchase liabilities (a)	113	108
Total current borrowings	**113**	**108**
Non-Current		
Secured liabilities		
Asset purchase liabilities (a)	18	130
Total non-current borrowings	**18**	**130**
Total borrowings	**131**	**238**

Additional information on finance facilities available

(a) The asset purchase liabilities are secured by underlying assets carried at $103,000 (2015: $123,000).

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.

Recognised fair value measurements

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements as at 30 June 2016	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Financial assets at FVPL					
Australian listed equity securities	10	283	-	-	283
Total Financial Assets		**283**	**-**	**-**	**283**
Financial Liabilities					
Derivatives used for hedging					
Foreign exchange contracts	19	-	807	-	807
Total Financial Liabilities		**-**	**807**	**-**	**807**

Recurring fair value measurements as at 30 June 2015	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL					
Australian listed equity securities	10	217	-	-	217
Total Financial Assets		**217**	**-**	**-**	**217**
Financial Liabilities					
Derivatives used for hedging					
Foreign exchange contracts		-	-	-	-
Total Financial Liabilities		**-**	**-**	**-**	**-**

Notes to the Financial Statements Continued

For the year ended 30 June 2016

15 Borrowings continued

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

	2016 $000	2015 $000
16 Other assets		
Current		
Prepayments	**4,475**	**407**
Prepayments include payments for purchases of raw materials prior to ownership passing to the group.		
17 Provisions		
Current		
Employee entitlements	328	179
Non-Current		
Employee entitlements	146	69
	474	**248**

Notes to the Financial Statements

For the year ended 30 June 2016

	2016 $000	2015 $000
18 Tax		
Current asset / (liability)		
Current tax asset	-	-
Income tax payable	10,495	3,664
Deferred tax balances recognised		
Temporary differences relating to income	-	-
Temporary differences relating to spending	314	181
Inventories	196	(18)
Other liabilities	661	
Employee entitlements	141	70
Foreign exchange (losses)	40	(177)
Overseas operating losses	290	124
Share based payments	189	148
Capital raising costs (equity)	330	447
Net deferred tax balances recognised	1,500	775
Represented by		
Deferred tax assets	2,109	1,016
Deferred tax liabilities	(609)	(241)
	1,500	**775**
Movement in recognised deferred tax balances		
Opening balance	774	186
Recognised in income	(2,075)	117
Recognised in equity	2,801	472
	1,500	**775**
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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements Continued

For the year ended 30 June 2016

	2016 $000	2015 $000
19 Issued capital		
a) Fully paid ordinary shares		
96,656,397 (2015: 95,000,392)	40,216	39,655

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

	Number of shares '000	Share capital $000
Movements in fully paid ordinary shares		
Balance 1 July 2014	70,000	15,756
5 August 2014 – share issue	25,000	23,899
Balance 30 June 2015	**95,000**	**39,655**
Balance 1 July 2015	95,000	39,655
Share issue	1,656	561
Balance 30 June 2016	**96,656**	**40,216**

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

On 3 September 2015, 1,633,962 options granted to executives and employees on 26 June 2014 were exercised and converted to ordinary shares of the Company. 293,333 options of this original grant were forfeited as a result of an eligible employee ceasing employment with the Company, and a further 272,705 options were foregone as result of cashless exercise.

On 23 March 2016, as a result of the Dividend Reinvestment Plan, 22,043 shares were issued at a price of $10.80.

The number of ordinary shares on issue is now 96,656,397 (2015: 95,000,392).

As at 30 June 2016, executives and employees held options over 2,629,252 (2015: 3,355,748) ordinary shares of the Company.

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 carry no rights to dividends and no voting rights.

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

On 19 August 2016 the Directors declared a dividend of 7.80 (2015: 2.86) cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 26 September 2016 out of retained earnings at 30 June 2016, but not recognised as a liability at year end is $7.54 million.

d) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

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.

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

	2016 $000	2015 $000
Total borrowings	131	238
Less cash and cash equivalents	(32,295)	(32,035)
Net debt / (cash)	**(32,164)**	**(31,797)**

20 Reserves (net of income tax)

	2016 $000	2015 $000
Foreign currency translation reserve	(373)	(159)
Share based payments reserve	3,767	499
Cash flow hedge reserve	(565)	-
	2,829	**340**

	2016 $000	2015 $000
Foreign currency translation reserve		
Balance at the beginning of the year	(159)	(13)
Exchange differences arising on translating net assets of foreign operations	(214)	(146)
Income tax effect	-	-
Balance at the end of the year	(373)	(159)

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.

	2016 $000	2015 $000
Share based payments reserve		
Balance at the beginning of the year	499	6
Arising on share based payments	3,268	493
Income tax effect	-	-
Balance at the end of the year	3,767	499

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 32.

	2016 $000	2015 $000
Cash flow hedge reserve		
Balance at the beginning of the year	-	-
Arising from changes in fair value of hedging instruments	(807)	-
Income tax effect	242	-
Balance at the end of the year	(565)	-

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within Other income (expenses).

Notes to the Financial Statements Continued

For the year ended 30 June 2016

	2016 $000	2015 $000
21 Additional cash flow information		
a) Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents	**32,295**	**32,035**
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
b) Reconciliation of profit for the period to net cash flows from operating activities		
Reconciliation of profit for the year to net cash from operating activities		
Profit after tax	38,328	9,073
Adjust for non-cash items		
Depreciation	256	447
Amortisation	51	-
Loss on sale – plant and equipment	8	-
Financial assets – fair value through profit or loss	66	27
Unrealised gains	(1,196)	(146)
Interest on asset purchase	10	19
Share based payments	3,268	493
Movements in working capital		
(Increase)/decrease in trade receivables	(13,020)	(14,424)
(Increase)/decrease in inventories	(54,135)	(9,412)
(Increase)/decrease in other assets	(537)	2,289
(Increase)/decrease in net tax assets	6,106	3,672
(Decrease)/increase in trade payables	29,264	12,595
(Decrease)/increase in provisions	426	106
Net cash from operating activities	**8,895**	**4,740**

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

Notes to the Financial Statements

For the year ended 30 June 2016

RISK

22 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 13. At 30 June 2016 there is $1,519,000 (2015: $104,000) of capitalised costs.

23 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.

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

Liquidity risk is managed by maintaining sufficient cash and monitoring forecast cash flows.

At the end of the reporting period, the group did not have access to any undrawn borrowing facilities, however, is in the process of obtaining a financing facility in order fund future working capital, as required.

The group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

Consolidated Group 2016	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 2016 $000
Financial assets						
Cash and cash equivalents	2.6%	17,140	-	-	15,155	32,295
Receivables		-	-	-	33,887	33,887
Financial assets at fair value through profit or loss		-	-	-	283	283
Total financial assets		**17,140**	**-**	**-**	**49,325**	**66,465**
Financial Liabilities						
Trade payables		-	-	-	(48,373)	(48,373)
Derivative		-	-	-	(807)	(807)
Borrowings	6.5%	-	(113)	(18)	-	(131)
Total financial liabilities		**-**	**(113)**	**(18)**	**(49,180)**	**(49,311)**
Net financial assets		**17,140**	**(113)**	**(18)**	**145**	**17,154**

Notes to the Financial Statements Continued

For the year ended 30 June 2016

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 Australian listed entities 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**	**33,772**

Credit risk

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, through a combination of obtaining external credit ratings, credit checks and past experience. Individual risk limits are set in accordance with the group's Credit Policy. The compliance with credit limits by customers is regularly monitored by management.

For some trade receivables the group obtains security in the form of directors guarantees, or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Interest rate risk

Due to low debt to equity ratios the group has limited exposure to interest rate risk. As at 30 June 2016, the total borrowings were $131,000 under fixed interest borrowing arrangements.

Foreign exchange risk

The group has exposure to movements in foreign currency exchange rates through:

- Sales to distributors and customers in foreign currency
- Anticipated purchases of inventory
- Translations of net investments in foreign subsidiaries denominated in foreign currencies

Bellamy's Australia Ltd's functional currency is Australian dollars. For the internal operations in the entities in Singapore, Hong Kong and China, all income and expenses are conducted in local currency.

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.

In order to hedge against the exposure to fluctuations in exchange rates associated with the highly probable purchase of ingredients, the group enters into forward exchange contracts, which are designated as cash flow hedges.

Exposure of overseas debtors to foreign exchange risk is minimal as these transactions are primarily denominated in AUD.

Notes to the Financial Statements

For the year ended 30 June 2016

23 Financial risk management continued

b) Financial risk exposures continued

Forward exchange contracts

The Board's risk management policy is to hedge 25% - 100% of anticipated foreign currency cash flows within the next twelve months (mainly inventory purchases) in EUR, subject to a review of the cost of implementing each hedge.

At balance date, details of the significant outstanding forward exchange contracts, stated in Australian dollar equivalents are:

	Average exchange rate		Foreign currency (in foreign currency)		Contract value (AUD)		Mark to market assets		Mark to market liabilities	
	2016	2015	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Hedging Imports: *Maturing within 12 months*										
Buy Euro	0.6544	-	28,683	-	43,826	-	122	-	(930)	-

At the reporting date, the net amount of unrealised losses under forward exchange contracts hedging anticipated purchases of inventory is $0.8 million. The hedge relationships are all assessed as highly effective with insignificant hedge ineffectiveness and the movement of $0.8 million has been recognised in the hedging reserve.

Derivative financial instruments – foreign exchange forward contracts	30 June 2016 $000	30 June 2015 $000
Carrying amount	$807	-
Notional amount	$43,966	-
Maturity date	July 2016 – December 2016	-
Hedge ratio	1:1*	-
Change in fair value of outstanding hedging instruments since 1 July	$79	-
Change in value of hedged item used to determine hedge effectiveness	($79)	-
Weighted average hedged rate for the year (including forward points)	0.6533	-

* The foreign exchange forward contracts are denominated in the same currency as the highly probable future inventory purchases (EUR), therefore the hedge ratio is 1:1.

Foreign currency exposures arising on translation of net investments in foreign subsidiaries are predominantly unhedged.

Equity price risk

The Group has equity price risk as a result of its listed equity investment holdings valued at fair value through profit and loss $283,000 (2015: $216,500). 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 $28,000 (2015: $22,000).

c) Categories of financial instruments

Other than equity investments classified at fair value through profit and loss classified under the heading of current financial assets, all 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

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 Continued

For the year ended 30 June 2016

GROUP STRUCTURE

24 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.

	2016 $000	2015 $000
Statement of Financial Position		
Assets		
Current assets	52,202	39,460
Non-current assets	530	612
Total Assets	**52,732**	**40,072**
Liabilities		
Current liabilities	8,654	3,732
Non-current liabilities	-	-
Total Liabilities	**8,654**	**3,732**
Net Assets	**44,078**	**36,340**
Equity		
Issued capital	40,216	39,655
Reserves	3,767	499
Retained earnings	95	(3,814)
Total Equity	**44,078**	**36,340**
Statement of Profit or Loss and Other Comprehensive Income		
Total profit / (loss)	10,592	7
Total comprehensive income	10,592	7
Guarantees	-	-
Contingent liabilities	-	-
Contractual commitments	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

25 Subsidiaries

Name	Principal activity	Place of incorporation and operation	Ownership % 2016	Ownership % 2015
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 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 financial reporting year ends with respect to these entities are:

- Bellamy's Organic (Hong Kong) Company Ltd 31 December
- Bellamy's Organic (South East Asia) Pte Ltd 31 March
- Bellamy's Food Trading (Shanghai) Co Ltd 31 December

UNRECOGNISED ITEMS

26 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.

	2016 $000	2015 $000
27 Commitments for expenditure		
There are no known commitments for expenditure (2015: $Nil)	-	-
28 Operating lease arrangements		
Non-cancellable operating lease commitments		
Not later than 1 year	258	156
Later than one year and not later than 5 years	501	72
Later than 5 years	-	-
	759	**228**

Operating lease commitments primarily relate to office leasing arrangements.

29 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 year.

Notes to the Financial Statements Continued

For the year ended 30 June 2016

OTHER INFORMATION

30 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 24

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

c) Transactions with related parties

Key management personnel compensation

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

	2016 $000	2015 $000
Short term benefits	1,058	696
Post-employment benefits	37	40
Other long term benefits	52	16
Termination benefits	-	-
Share based payments	359	251
	1,506	**1,003**

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 37 to 49.

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

30 Related party transactions continued

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:

	1 July 2015	Movement during year	Balance at 30 June 2016
	No.	No.	No.
Non-executive Directors:			
R Woolley	1,335,739	(883,462)	452,277
I Urquhart[2]	2,500,000	(1,500,000)	1,000,000
M Wadley	-	-	-
L Inman	22,000	4,020	26,020
P Mann[1]	-	4,000	4,000
C Sitch [1]	-	-	-
Executives			
L McBain	1,565,376	(400,000)	1,165,376
S Ollington	-	-	-
A. Cohen	13,750	-	13,750

1 Appointed 10 March 2016
2 Resigned 30 June 2016

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.

2016	Balance at 1 July 2015	Granted as remuneration in FY2016	Vested in FY2015 and exercisable	Exercised during the reporting period	Forfeited in FY2016	Held as at 30 June 2016
Executives						
L McBain	1,779,210	530,918	953,333	953,333	-	1,356,795
S Ollington	216,793	112,000	-	-	-	328,793
A Cohen	-	689,950	-	-	-	689,950

No directors hold options over ordinary shares.

	2016 $	2015 $
31 Auditor's Remuneration		
a) Auditor of the parent entity		
Audit of the financial statements	132,000	80,000
Other audit, tax and compliance related services	14,000	6,000
Total paid to PricewaterhouseCoopers	**146,000**	**86,000**
b) Auditors of the wholly owned overseas subsidiaries		
Audit of the financial statements	155,000	26,000
Other tax and compliance services	-	18,000
	155,000	**44,000**

Notes to the Financial Statements Continued

For the year ended 30 June 2016

32 Share based payments

a) Employee Option Plan

The Managing Director and other senior management held, as part of their remuneration, conditional vesting options over 3,035,662 (2015: 3,355,748) ordinary shares of the Company comprising the 2015 grant which was made on 29 June 2015, the current year grant which was made on 23 December 2015, and a subsequent grant on 30 June 2016.

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 37 to 49 for detail regarding the performance hurdles. These options expire four years after the date of the grant, which should be no later than 29 June 2019.

FY2016 grant

The exercise price for the FY2016 grant of options is $4.97. The options can only be exercised if specific performance hurdles are met. Refer to the remuneration report on pages 37 to 49 for detail regarding the performance hurdles. These options expire five years after the grant date, which should be no later than 23 December 2020.

Additional grant on 30 June 2016

A subsequent grant of 689,950 options was made on 30 June 2016. The options were granted under the LTI plan.

b) Other movements

During the current financial year the initial FY2014 grant options were exercised.

With regard to 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 company.

c) Fair value of options granted during the year

The fair value of the options granted during the year was $2.31, $1.22 and $1.58 respectively.

d) Expenses arising from share based payment transactions

The value of options granted to key management personnel 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	FY2014 Grant	26/6/2014	953,333	40,000
L McBain	FY2015 Grant	29/6/2015	825,877	101,000
L McBain	FY2016 Grant	23/12/2015	530,918	153,000
Shona Ollington	FY2015 Grant	29/6/2015	216,793	27,000
Shona Ollington	FY2016 Grant	23/12/2015	112,000	32,000
Andrew Cohen	FY2016 Grant	30/6/2016	689,950	6,000
Total				**359,000**

Notes to the Financial Statements

For the year ended 30 June 2016

33 Deed of cross guarantee

Bellamy's Australia Limited and Bellamy's Organic Pty 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".

34 Summary of significant accounting policies

Reporting entity

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

115 Cimitiere 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 Controlled Entity (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Bellamy 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 19 August 2016 by the directors of the company.

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

The directors have elected under s.334(5) of the *Corporations Act 2001* to apply Accounting Standard AASB 9 (December 2014) 'Financial Instruments' for this financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2018.

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

AASB 15 replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and Interpretation 13 Customer Loyalty Programmes. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control under AASB 15 replaces the existing notion of risks and rewards under current accounting standards. The standard is applicable from 1 January 2018 with early adoption permitted.

The consolidated entity is currently assessing the potential impact of the new standard upon the consolidated entity's revenue recognition policy and at this stage is unable to estimate the financial impact on adopting the standard.

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, 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).

Notes to the Financial Statements Continued

For the year ended 30 June 2016

34 Summary of significant accounting policies continued

a) Principles of consolidation

i) 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 2016 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) Income tax

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

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 (income) 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, as the head entity in the tax consolidated group and its wholly owned Australian controlled entities continues 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.

Notes to the Financial Statements

For the year ended 30 June 2016

34 Summary of significant accounting policies continued

c) 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.

d) 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 Australian corporate bond rates 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 Australian corporate 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.

e) 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.

f) 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.

g) 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 or secured by letter of credit for longer periods. Sales to domestic customers are generally receivable approximately 45 days from invoice.

For trade receivables, the company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime loss provision for all trade receivables. Any credit losses are written off to Administrative Costs in the profit and loss.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Financial Statements Continued

For the year ended 30 June 2016

34 Summary of significant accounting policies continued

i) 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).

j) 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	Useful life
Plant and equipment	
• IT Hardware	4 years
• Motor Vehicles	8 Years
• Furniture and fittings	10 years

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.

k) 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

For the year ended 30 June 2016

34 Summary of significant accounting policies continued

l) 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.

m) 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.

n) 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, such investments are classified at fair value though profit and loss. 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.

o) 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.

p) 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 21. 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.

q) 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.

r) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

34 Summary of significant accounting policies continued

s) Adoption of new and revised Accounting Standards

In the current year, the Group has applied an amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

t) New Accounting Standards for application in future periods

The table below lists the standards and amendments to standards that were available for early adoption and were applicable to the Group. The reported results and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed below as they do not result in any significant changes to the Group's existing accounting policies.

The Group does not intend on adopting the following new standards or amendments before their mandatory effective dates.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15: 'Revenue from Contracts with Customers', and associated Amending Standards	1 January 2018	20 June 2019
AASB 16: 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

u) Rounding of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 54 to 85 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 2016 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 25 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 33.

Note 34 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 CEO and Managing Director 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

CHAIR

Laura McBain

Laura McBain

CEO and Managing Director

Dated at Launceston this 19th day of August 2016

Independent Auditor's Report

For the year ended 30 June 2016

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 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 34, 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.

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

For the year ended 30 June 2016

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 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 34.

Report on the Remuneration Report

We have audited the remuneration report included in pages 37 to 49 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
19 August 2016

Shareholder Information

Bellamy's Australia Limited and controlled entities

The following additional information is provided in accordance with the ASX Listing Rules as at 31 July 2016.

Number of holders of equity securities

Ordinary share capital

96,656,397 shares are held by 19,268 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, one vote for each fully paid share held.

Unlisted options over ordinary share capital

A total of 2,345,712 options are held by 7 individual option holders. 1,449,081 options relate to the FY2015 grant, which were granted on 29 June 2015 pursuant to the Long Term Incentive Plan (LTIP). 896,632 options relate to the FY2016 grant, which were granted on 23 December 2015 pursuant to the Long Term Incentive Plan (LTIP). The options do not carry any voting rights.

Distribution of holders of equity securities

Number of equity securities held	Ordinary shares		
	No. of holders	No. of shares	% of shares
1 to 1000	11,298	5,296,561	5.48
1,001 to 5,000	6,453	15,086,895	15.61
5,001 to 10,000	877	6,490,353	6.71
10,001 to 100,000	504	11,521,625	11.92
100,001 and Over	39	58,260,983	60.28
Total		**96,656,397**	

Substantial shareholders

Name	Number of ordinary shares	% of voting power advised
The Black Prince Private Foundation	14,000,000	14.48
JP Morgan Nominees	9,307,249	9.63
HSBC Custody Nominees	7,392,624	7.65
Quality Life Pty Ltd	7,155,415	7.40
National Nominees Limited	5,499,461	5.69

Shareholder Information Continued

Rank	Name	Number of ordinary shares held	% of capital held
1	BLACK PRINCE PRIVATE FOUNDATION	14,000,000	14.48
2	JP MORGAN NOMINEES AUSTRALIA LIMITED	9,307,249	9.63
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,392,624	7.65
4	QUALITY LIFE PTY LTD	7,155,415	7.40
5	NATIONAL NOMINEES LIMITED	5,499,461	5.69
6	CITICORP NOMINEES PTY LIMITED	3,799,842	3.93
7	BNP PARIBAS NOMS PTY LTD	1,390,984	1.44
8	VERMILION 21 PTY LTD	1,165,376	1.21
9	KRISAMI INVESTMENTS PTY LTD	1,000,000	1.03
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	923,851	0.96
11	SANDHURST TRUSTEES LTD	665,115	0.69
12	SUETONE PTY LTD	625,000	0.65
13	WARBONT NOMINEES PTY LTD	572,037	0.59
14	MRKAT PTY LTD	452,277	0.47
15	BUDUVA PTY LTD	400,000	0.41
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	276,479	0.29
17	MR NORMAN SURTEES	250,000	0.26
18	AMP LIFE LIMITED	228,370	0.24
19	DR KUI LIM CHONG & MRS JOCELYN ELIZABETH CHONG	200,949	0.21
20	MR WEI CHEN	200,000	0.21
20	NILCOY PTY LTD	200,000	0.21
20	BNP PARIBAS NOMINEES PTY LTD	200,000	0.21
	Total	**55,905,029**	**57.84**
	Total remaining holders balance	**40,751,368**	**42.16**
	TOTAL	**96,656,397**	**100.00**

BELLAMY'S

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

Principal registered office
Bellamy's Australia Limited
115 Cimitiere Street
Launceston TAS 7250

T: (03) 6332 9200
F: (03) 6331 1583
bellamysorganic.com.au

Company Secretary
Mr Brian Green

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