AUSTRALIAN MADE CERTIFIED ORGANIC

BELLAMY'S ORGANIC

Annual Report

BELLAMY'S AUSTRALIA LIMITED
FOR THE YEAR ENDED 30 JUNE 2019

2019

Contents

Directors	John Ho - Chair John Murphy - Deputy Chair Rodd Peters Wai-Chan Chan Shirley Liew
Company secretary	Melinda Harrison
Registered office	Bellamy's Australia Limited 115 Cimitiere Street Launceston TAS 7250 Telephone: (03) 6332 9200 Facsimile: (03) 6331 1583
Share register	Link Market Services Limited Level 1, 333 Collins Street Melbourne VIC 3000 Telephone: 1300 554 474 Facsimile: (02) 9287 0303 Email: registrars@linkmarketservices.com.au
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006
Stock exchange listing	Bellamy's Australia Limited shares are listed on the Australian Securities Exchange (ASX code: BAL)
Website	https://investors.bellamysorganic.com.au

27 August 2019

Dear Shareholders,

On behalf of the Board, we present to you the Annual Report for the financial year ended June 2019.

It has been an extremely busy year for the Bellamy's leadership team, with significant progress made on a full Bellamy's brand relaunch of our formula and food portfolios, a substantial step change in our China sales and marketing capability including channel and economics reset, and a concerted effort in rolling out the new culture program at all levels of the business.

A key focus of the Board and leadership team has been on prioritising growth and investment decisions that set the business up for the medium to longer term and this has had an impact on short term revenue and earnings results. The decision to write-off pipeline stock levels of the old formula product was one such significant business decision that was critical to enable the new formula product to relaunch and reset pricing and channel economics at all levels.

Whilst we continue to wait for our SAMR licence for offline China and remain confident in achieving this, we have substantially increased our China team in both size and capability, doubled our marketing investment at a consumer and trade level and built out our marketplace analytics and insights capability.

We remain very positive on the path forward and believe the choices we are making are sound and best placed to deliver sustainable shareholder value. We understand the dynamic nature of the markets we operate in and the need to constantly reset and fine-tune our execution. We are conscious of the challenges of bedding down the enormity of change in the business, the time this takes and also the external challenges, some of which are outside our control. The Board is confident the settings are right to build long-term sustained value for Bellamy's shareholders.

In 2017, the Board established a remuneration structure that included a long-term equity incentive plan, which aligned the interests of the Board, management and shareholders. This plan covered performance for 2017 to 2020. The Board is working on a new plan to retain executives beyond 2020 and incentivise for high performance.

The Board maintains close operational oversight to ensure management are challenged to achieve high levels of performance. In this regard, the CEO and Executive have performed well and responded proactively to all challenges. The Board is satisfied the Executive team remains focussed on long-term value creation and has avoided short-term oriented decisions.

The Board has overseen significant progress against the 2021 strategic plan. In particular:

- a complete brand relaunch and portfolio review including product innovation pipeline;
- a step change in marketing capability and investment;
- building our people capability in key functions, importantly in China;
- sourcing and logistics capability and cost reduction initiatives;
- quality control and safety system and process enhancements; and
- embedding the Bellamy's high performance and behaviour program.

The Board ensures stakeholders' interests are at the core of decision making. The Board:

- has oversight of governance processes and both operational and financial compliance systems;
- monitors stakeholder management and approves market communications;
- ensures management appropriately balance a broader range of stakeholder interests; and
- ensures management remain focussed on the future.

The Board remains focussed on thoughtful strategic decision-making, nurturing and driving a high performance culture, balanced risk-taking and maintaining transparent communication with the Company's stakeholders. The long-term value creation opportunity for Bellamy's is compelling and the Board has the patience and fortitude to realise this opportunity.

On behalf of the Board and the team of Bellamy's, thank you for your ongoing support.

Yours sincerely

John Ho	**John Murphy**
Chairman	**Deputy Chairman**

Bellamy's Australia Limited
Letter to Shareholders from the Chief Executive Officer
30 June 2019

27 August 2019

Dear Shareholders,

FY19 has been a challenging period for our business, with China demand impacted by regulatory change, a lower birth rate and increased competition. FY19 Net Revenue decreased to $266m and normalised EBITDA was $47m.

Our transformational rebrand is set to return the business to growth and is delivering early momentum since the March transition. The rebrand represents the most significant investment in our company's history and includes several important changes:

- premium branding, reinforced by a premium price position in Australia and China;
- a superior formulation, including a world leading level of DHA for an organic formula;
- Australian organic milk to support the provenance of our brand and the local industry;
- compelling trade economics to drive grassroots recruitment and advocacy; and
- an extended range for formula (Step 4 and pregnancy) and food (cereals, custards and exotic fruit pouches).

In parallel, we doubled investment in both marketing and China capability to activate the brand:

- marketing investment focussed on a relaunch of all digital assets, introduction of an A-grade Chinese ambassador in Stefanie Sun, outdoor media presence and higher impact selling points; and
- capability investment focussed on China sales and marketing leadership and talent to engage consumers, expand distribution and drive ambitious joint-business-plans with the trade.

The early consumer indicators for the rebrand are positive including an uptick in e-commerce sales, brand interest, Step 1 and Step 2 recruitment in China, consumer pricing and trade economics. The recent 6/18 June e-commerce event represents a tangible proof point, resulting in 41% like-for-like growth and a marked change in our brand rankings across key e-commerce and social platforms.

These changes have set a new foundation for the long-term success of the brand. Short-term trade-offs were required which impacted the FY19 financial result, including a one-off write-down of legacy-label inventory and a deeper level of destocking and trade change-over than first anticipated. This reset is now complete and the business enters FY20 with a clean balance sheet, positive consumer momentum and a healthy trade dynamic.

It is in this context that we expect a return to sustained growth in FY20. This confidence is strengthened by the accelerated growth in our food business and the planned launch of breakthrough new products, including an organic ultra-premium formula series, an organic goat formula series, and a China offline organic food range.

We remain confident in our growth strategy and medium-term target of $500m revenue but have needed to defer this target beyond FY21 given the ongoing SAMR registration process. Notwithstanding the timing of this registration, we believe our medium-term target will be achieved through the success of the above-mentioned initiatives.

Our team remains focussed on building a long-term success story and executing against the potential of an incredible brand supported by clear macro-trends for organic, e-commerce and premiumisation. This year has set a strong foundation; transforming our brand, our trade incentives, our capability and our product portfolio.

On behalf of the Management Team and the broader business I thank you for your ongoing support.

Andrew Cohen
Chief Executive Officer

Operating and Financial Review

The purpose of the Operating and Financial Review is to enhance periodic financial reporting and provide shareholders with additional information regarding the consolidated entity's operations, financial position, business strategies and prospects. The review complements the financial statements.

Our Business

Bellamy's is a leading infant nutrition and food brand in Australia and China.

Products

Bellamy's has 40 products covering organic food, infant milk formula and toddler milk. During FY19 Bellamy's upgraded its formulations in its core Australian-label infant formula range (Step 1, Step 2 and Step 3) and launched two new SKUs to extend its core range: Step 4 (for ages 3+ years) and Pregnancy Formula (for mothers pre, during and post pregnancy). Bellamy's also launched 12 new food products including: a new range of exotic fruit pouches, a new range of ambient custards (the first 'no added sugar' range in Australia) and extensions to its cereal range (Baby Rice with prebiotic GOS and Pumpkin Baby Rice with prebiotic GOS).

People

Bellamy's employs approximately 150 FTEs. Bellamy's branded operations employs 82 FTEs, of which over one-third are employed overseas. Bellamy's manufacturing operation is based in the Melbourne suburbs and employs over 60 people.

Customers

Bellamy's provides nutritious food and formula products for infants and children. Its products are distributed directly and indirectly to Australia, New Zealand, China including Hong Kong, Singapore, Malaysia and Vietnam.

In FY19, Bellamy's key direct customer channels for its Australian-label products were Australian supermarket and pharmacy retailers (and their wholesale suppliers), Australian-based wholesalers supporting the pick-and-pack and daigou networks, China-based distributors supplying cross-border e-commerce (CBEC) platforms (such as Tmall Direct International, JD.com, Kaola), and distributors in other international markets. In addition, Bellamy's sells products directly to consumers online via its Australian website and its China Tmall Flagship store.

A significant proportion of products sold to Australian-based retailers and wholesalers are on-sold to Chinese consumers through personal selling channels including private and public Consumer-to-Consumer (C2C) platforms (e.g. WeChat and Taobao).

Suppliers

Bellamy's products are Australian-made and certified organic with ingredients sourced from Australia and internationally. Bellamy's contracts directly with local and international ingredient and manufacturing suppliers.

Bellamy's has partnered with its suppliers to support the development of the organic dairy and food industries in Australia and internationally. This includes material commitments for organic Australian ingredients to support the development of the local industry.

In addition to third-party suppliers, Bellamy's manufactures a proportion of its formula products at its 90% owned formula blending and canning facility, Camperdown Powder Pty Ltd, in Melbourne, Australia.

Our Performance

During FY19 China demand was impacted by regulatory change, a lower birth rate and increased competition.

The Company's rebrand represents the most significant investment in Bellamy's history and has delivered a truly premium brand and product, including a world leading level of DHA for an organic formula. Early momentum since the March relaunch has been positive.

In parallel, the business has doubled investment in both marketing and China capability to better activate the brand and engage consumers. Trade and channel economics have also been reset to better incentivise trade partners, including the daigou, social networks and e-commerce platforms.

Many of these changes required short-term trade-offs impacting the FY19 financial result, including a one-off write-down of legacy-label inventory and a deeper level of Q3 destocking and trade change-over than originally anticipated. This reset is now complete, and the business enters FY20 with a clean balance sheet, positive consumer momentum and a healthy trade dynamic.

The business expects a return to sustained growth in FY20. This confidence is strengthened by the accelerated growth in Bellamy's food business and planned launch of breakthrough new products, including an organic ultra-premium formula series, an organic goat formula series, and a China offline organic food range.

The business acknowledges the process for Camperdown's SAMR registration continues. Management retains confidence this registration will be achieved and is respectful of the SAMR process. Notwithstanding the timing of this registration, Bellamy's addressable market and headroom for success within the e-commerce market remains significant.

Financial Performance

The Company achieved revenue of $266.2m (FY18: $328.7m), normalised EBITDA of $46.9m (FY18: $70.6m) and NPAT of $30.1m (FY18: $47.0m). On a statutory basis EBITDA was $34.9m and NPAT was $21.7m adjusted for a one-off $12.0m ($8.4m post tax) write-off of legacy inventory required to transition to Country of Origin Labelling (CoOL) laws in Australia and as a result of changes in Chinese regulations.

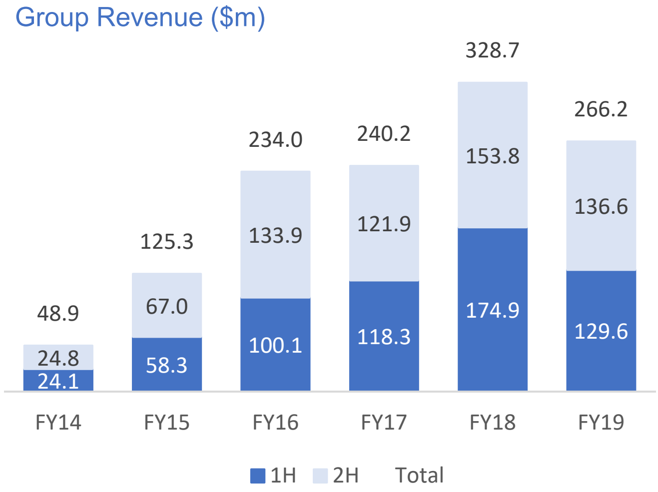
Normalised financial performance for FY19 compares to FY18 in the table below:

Group	**FY19**			**FY18**		
$m	Statutory	One-offs(1)	Normalised	Statutory	One-offs(1)	Normalised
Aust. Label	251.0		251.0	301.9		301.9
China label	-		-	18.1		18.1
Camperdown	15.2		15.2	8.7		8.7
Revenue	266.2		266.2	328.7		328.7
Gross Profit	115.9		115.9	128.9		128.9
Gross Margin %	43.5%		43.5%	39.2%		39.2%
Other Income	1.0		1.0	0.5		0.5
Overhead	(82.0)	12.0	(70.0)	(64.8)	6.0	(58.8)
EBITDA	34.9	12.0	46.9	64.6	6.0	70.6
EBITDA %			17.6%			21.5%
Depn & Amortn	(5.3)		(5.3)	(4.3)		(4.3)
Interest	1.8		1.8	0.9		0.9
Tax	(9.7)	(3.6)	(13.3)	(18.4)	(1.8)	(20.2)
Net Profit After Tax	21.7	8.4	30.1	42.8	4.2	47.0
Net Profit %			11.3%			14.3%

(1) Bellamy's has followed the guidance for normalised profit as issued by the ASIC regulator Guide RG230 'Disclosing non-IFRS information'. The profit and loss summary with a prior period comparison in the table above has been sourced from the accounts but has not been subject to separate review or audit. The Directors believe the presentation of the unaudited non-IFRS profit and loss summary in the table above is useful for users as FY19 includes significant items that are not expected to be repeated in future years. The table reflects the normalised earnings of the business.

Revenue

Group revenue in FY19 was $266.2m (FY18: $328.7m).



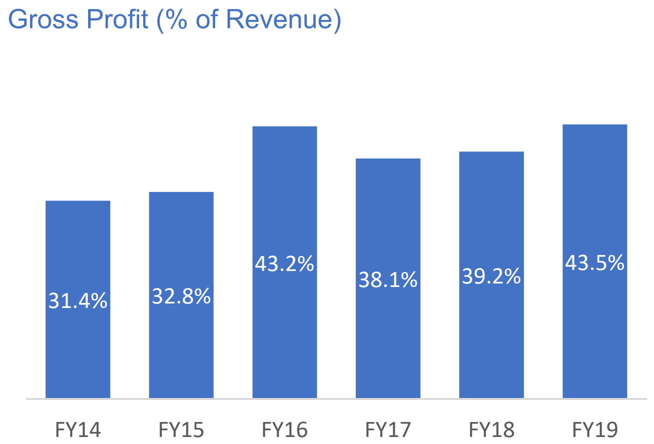
Revenue was impacted by:

- Loss of Chinese-label sales of $18.2m (vs FY18) due to Bellamy's SAMR brand application process at Camperdown
- Impact of CBEC regulatory change and transition for local sales channels and smaller platforms in China
- A lower prevailing birth rate in China
- Increased competition, especially within the organic segment
- Short-term impact of rebrand transition and trade consolidation

Stronger core revenue momentum was observed in Q4 following the official rebrand launch in March, following a deeper period of destocking in Q3 than first anticipated. Food revenue growth accelerated in the second half, +48% vs 2H18, supporting strong full year growth of 25% FY19 vs FY18.

Profitability

FY19 gross profit (% of revenue) grew by 4.3% to 43.5% (FY18: 39.2%) reflecting disciplined revenue management and cost management.



Gross margin expansion driven by:

- Price increase associated with rollout of the rebrand in Q4
- Further procurement savings to offset the cost of product upgrades and FX movements
- Ongoing channel mix management

Gross profit includes a $2.9m (FY18: $3.3m) charge for shortfall payments. Beyond FY19, shortfall payments may continue over the term of the contracts and could increase or decrease depending on level of production.

Business Split

Normalised $m	**FY19**			**FY18**		
	Core	Camperdown (1)	Group	Core	Camperdown (1)	Group
Aust. label	251.0		251.0	301.9		301.9
China label	-		-	18.1		18.1
Camperdown	-	15.2	15.2	-	8.7	8.7
Revenue	251.0	15.2	266.2	320.0	8.7	328.7
Gross Profit	111.9	4.0	115.9	126.8	2.1	128.9
Gross Margin %	44.6%	26.3%	43.5%	39.6%	24.1%	39.2%
Other Income	0.1	0.9	1.0	0.5	-	0.5
Direct Costs	(17.2)	(1.7)	(18.9)	(14.2)	(0.9)	(15.1)
Marketing	(21.3)	-	(21.3)	(14.6)	-	(14.6)
Manpower	(16.1)	(1.8)	(17.9)	(16.9)	(2.1)	(19.0)
Admin	(10.5)	(1.4)	(11.9)	(9.5)	(0.6)	(10.1)
Overhead	(65.1)	(4.9)	(70.0)	(55.2)	(3.6)	(58.8)
EBITDA	46.9	(0.0)	46.9	72.1	(1.5)	70.6
EBITDA %	18.7%		17.6%	22.5%		21.5%

(1) Expressed net of intercompany sales.

Expenses

Normalised overhead was $70.0m (FY18: $58.8m) reflecting increased investment in marketing and China capability. On a statutory basis, overhead increased to $82.0m due to a one-off $12.0m write-off of legacy inventory required to transition to Country of Origin Labelling (CoOL) laws in Australia and as a result of changes in Chinese regulations.

To enable a like-for-like analysis, the following commentary refers to comparative costs on a normalised basis and for the core business excluding Camperdown:

- Direct Costs including logistics and warehousing costs increased $3.0m. On a percentage of revenue basis, direct costs increased to 6.9% (FY18: 4.4%) driven by reduced scale in the network, structural changes to the supply-chain relating to ingredient procurement and direct China logistics, and the non-recurring cost of greater warehousing associated with the rebrand transition;
- Marketing investment was $21.3m (FY18: $14.6m) reflecting marketing spend doubling in 2H19 vs 1H19 to support the rebrand, key launch events and increased activity with e-commerce platforms;
- Manpower costs of $16.1m (FY18: $16.9m) reflect savings in discretionary manpower, incentive remuneration costs and reduced share-based payment expense as plans amortise. These savings offset a 33% increase in headcount, predominantly in China where headcount doubled. The full impact of this increase was only partly captured in FY19 as hires were made progressively through the year;
- Administration and Other was $10.5m (FY18: $9.5m) reflecting a material increase in the cost of regulatory fees and insurance. Insurance represented more than 30% of Administration costs in FY19.

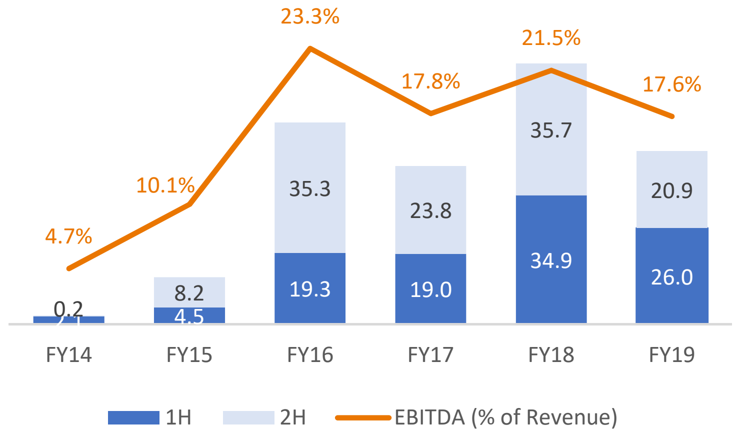
Inventory write-down and normalisation adjustment

The one-off normalisation adjustment of $12.0m (FY18: $6.0m) relates to the write-down of legacy inventory that was produced in advance of changes to laws governing Country of Origin Labelling (CoOL) in Australia and SAMR in China. The interaction of these legal changes and the long lead times required to order ingredients and schedule production resulted in reduced flexibility to manage the sell-out of legacy product.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Group normalised EBITDA in FY19 was 17.6% of Revenue (FY18: 21.5%).

Group EBITDA ($m normalised)



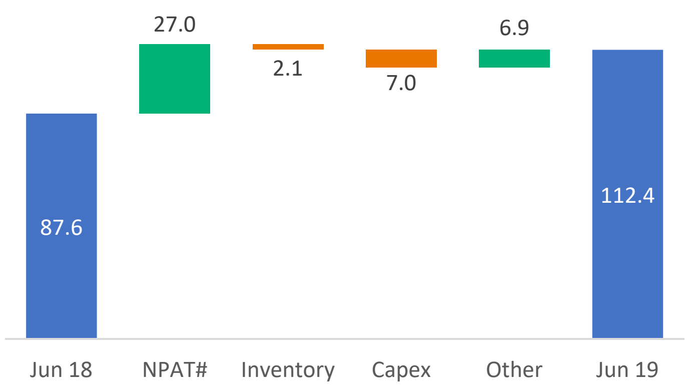
Group normalised EBITDA was impacted by:

- Scale impact of reduced revenue
- Gross margin expansion due to revenue management and procurement disciplines
- Higher direct costs associated with ingredients and China-direct logistics
- Increased marketing investment

Balance Sheet and Cash Flow

Cash at 30 June 2019 was $112.4m (Jun18: $87.6m).

Cash Movement



Cash was impacted by:

- Higher ingredient and Camperdown inventory levels, largely offset by reduced finished goods
- Capex investment primarily in Camperdown
- Working capital timing difference associated with the structural change to direct sourcing

NPAT# adds depreciation and amortisation to net profit after tax

Cash balance at 30 June 2019 was $112.4m, reflecting strong overall cash conversion. In addition, Bellamy's retains a $40m debt facility which was not drawn on at 30 June 2019.

Net inventory at 30 June 2019 was $96.0m (Jun18: $90.5m). The balance is stated net of a provision of $6.6m (Jun18: $10.0m). The movement predominantly related to finished goods inclusive of the write-down. At 30 June 2019 finished goods represented approximately 3.6 months of sales and is within Bellamy's target range.

In FY19, Bellamy's has taken a more direct role in sourcing ingredients to increase control of its supply chain. This has increased availability, supply security and local sourcing of organic milk as well as building stronger relationships through the supply chain. This has enabled Bellamy's to reduce finished goods cover and reduce procurement costs, but also resulted in increased ingredient and working capital requirements and greater short-term volatility in operating cash flows.

Manufacturing / Camperdown

Camperdown external revenue in FY19 was $15.2m (FY18: $8.7m) and posted a breakeven EBITDA result for FY19 supported by growth in external customer sales.

Capital Expenditure
Bellamy's has continued to invest in continuous improvements to quality, safety and capacity at Camperdown. Bellamy's has planned a major capital expansion following SAMR approval and GACC (formerly CNCA) renewal. This upgrade is expected to cost $12-15m and will take approximately 12-15 months to implement once initiated. Camperdown is not expected to contribute significant incremental profit to the Group business until the major capital upgrade is completed.

The facility has sufficient production capacity to meet forecast demand of Chinese-label product and third-party sales until the expansion is completed.

Brand and Facility Registrations
A GACC licence is required to produce product that is sold in China. This affects Australian-label products sold through various formal and informal networks into China (including pick and pack and CBEC). Camperdown's GACC licence is due for renewal in December 2019.

SAMR registration is required to sell Chinese-label products in offline retail stores in China. The application for this licence was submitted by Camperdown for the Bellamy's Organic infant formula brand in December 2017. Bellamy's remains confident registration will be achieved. Bellamy's makes no representation of likely timing of the registration. No revenues from this registration are expected in FY20.

Camperdown received SAMR registration for an external customer in December 2017. This is due for renewal in December 2022.

Conditional Acquisition of remaining 10% Shareholding
Bellamy's will acquire the remaining 10% of Camperdown conditional on the success of our SAMR application. The transaction structure provides the vendors with continued financial exposure to the success of Bellamy's.

Our Outlook

Bellamy's outlook for FY20 is:

- 10-15% group net revenue growth at an EBITDA margin consistent with last year, with revenue growth anticipated to accelerate in 2H20 with new product launches;
- continued strong gross margin and investment in marketing and China capability.

Bellamy's remains confident in its growth strategy and medium-term target of $500m revenue but has deferred this target beyond FY21 given the ongoing SAMR registration process.

The outlook statement must be considered in context of the business risks explained on pages 13 through 15 of this annual report.

Our Risks

Bellamy's is subject to several risks, which may either individually or in combination adversely affect the future operating and financial performance of Bellamy's. Bellamy's takes a proactive approach to managing these risks. Bellamy's has included some examples of risk mitigations in place to assist in managing these.

This section does not purport to list every risk, however, provides a selection of risks that may impact future operating or financial performance.

Chinese-label product regulatory risk

Government policy and regulation may change and restrict or limit the ability to sell existing product into key markets. This risk is most pronounced in China's infant formula market. Currently, the Chinese government requires a manufacturing facility to be registered with the GACC and Chinese-label products imported and sold in retail channels in China require SAMR (formerly CFDA) registration post 1 January 2018.

Bellamy's submitted its SAMR application in late December 2017 and is awaiting the outcome of the assessment. If registration with SAMR is unsuccessful, the valuation of Camperdown will be reassessed and sales of Chinese-label organic infant formula products will be affected. The sale of Bellamy's Chinese-label organic products accounted for less than 6% of total group revenue in FY18 and made no contribution to revenue in FY19.

In addition, it should also be noted that any future regulatory changes continue to be a business risk.

To mitigate this risk, Bellamy's:

- acquired the Camperdown manufacturing facility which had its GACC licence granted in July 2015 with an expected renewal date in December 2019;
- lodged its SAMR registration application through Camperdown in December 2017;
- will manage the renewal process of Camperdown's GACC licence closely; and
- continues to diversify revenues across multiple products, markets and channels.

Australian-label product regulatory risk

Bellamy's recognises a substantial proportion of sales of its Australian-label organic formula is consumed in China by Chinese consumers supplied through either cross border e-commerce (**CBEC**) platforms or via 'direct mail' channels.

Both of these channels are regulated by Australian and Chinese governments and hence are exposed to any future change in regulations.

To mitigate this risk, Bellamy's:

- continues to educate itself on regulatory changes and routes to market in China;
- maintains multi-channel routes to market for the sale of its products in China;
- closely monitors changes to regulation and its compliance with regulatory requirements; and
- continues to diversify revenues across multiple products, markets and channels.

Import testing

All food product imported into China is subjected to sample-based quality testing, known as China Inspection and Quarantine (**CIQ**) tests. These tests are governed by SAMR. Should a product in a shipment fail a CIQ test, Chinese law prevents the entire shipment from entering China, even if the affected product forms only part of the shipment. If the Group's products or third-party products produced by Camperdown fail a CIQ test, it could have a material adverse impact on the Group's business, financial performance and operations.

To mitigate this risk, Bellamy's:

- maintains rigor around testing its products at several stages including at the ingredient procurement stage, throughout the manufacturing process and at the finished goods stage; and
- tests formula products to China standards at a Chinese part state-owned testing lab in China before CIQ testing.

Brand damage, product quality issues

Any actual or perceived contamination, spoilage or other adulteration, product misbranding, failed product testing or tampering may lead to a material erosion of the Group's brand reputation in Australia or China, regardless of its merits.

The Group's failure to detect counterfeiting and imitation of its products and trademarks or a failure to mitigate their impact could result in a materially adverse impact to the Group's sales in China.

Publication of reports of contaminated or tainted dairy products by other non-Chinese manufacturers that supply the Chinese market could negatively impact the Group's business, even if there is no direct connection with Bellamy's products. Regardless of merit, such reports could also lead to additional scrutiny and testing by regulators which could impact the Group's financial performance and operations.

To mitigate this risk, Bellamy's:

- continues to maintain high quality controls throughout its supply chain;
- partners with certified third-party manufacturers with a proven record of product safety and quality;
- maintains comprehensive product quality audits of suppliers and manufacturers and testing and batch release procedures;
- actively manages and investigates customer complaints;
- continues to adopt the latest techniques to improve product security; and
- continues to proactively manage, monitor and enforce IP breaches.

Complex distribution channels

Sales of the Group's Australian-label organic products to persons in Australia who on-sell to Chinese consumers via e-commerce and social media platforms cannot reliably be estimated by the Group but is thought to be substantial, and the Group is highly reliant on this channel.

Accordingly, Bellamy's has an exposure to changes in consumer demand for its products in China. A failure by Bellamy's to predict or respond to changes in consumer preferences in China, or a decrease in demand for the Group's products in China, could have a material adverse impact the Group's financial and operating performance.

To mitigate this risk, Bellamy's:

- continues to ensure the Group has a deep understanding of end consumers, key channels and routes to market where possible; and
- continues to diversify revenues across multiple products, markets and channels including its food business and direct channels with greater transparency.

Market concentration and political risk

A material proportion of the Group's revenue is derived from sales in China. With any international market, potential geo-political risks should be considered. To mitigate this risk, Bellamy's continues to invest in the local market and enter into other appropriate South East Asian markets, most recently Vietnam.

Shortfall payments

Bellamy's has two material manufacturing agreements that guarantee long-term access to high quality production facilities in Australia. The two manufacturing arrangements have minimum annual volume commitments which run for a number of years. Where the Group is not able to fulfil minimum annual volume commitments, it is required to make production shortfall payments. Some contracts provide rebates for exceeding specified volumes. Bellamy's also enters ingredient supply contracts with minimum volume commitments.

Beyond FY19, shortfall payments may continue over the term of the contracts and could increase or decrease depending on the level of production.

To mitigate this risk, Bellamy's actively manages manufacturing commitments between its facilities and manages production allocation to achieve a variety of outcomes including minimising shortfall payments.

Workplace health & safety

Actual or potential harm to any workers and other persons in the workplace could have a reputational and financial impact on the Group, including increases in insurance premiums, penalties and decrease in staff morale and productivity.

To mitigate this risk, Bellamy's:

- maintains a robust governance and reporting framework, including continuous review of the risk register for identification of new risks/hazards and mitigation strategies;
- maintains focus on Workplace Health & Safety initiatives and ensure regular stakeholder training;
- continues to upgrade equipment (where appropriate) to improve automation and reduce manual handling exposures; and
- uses qualified external consultants to review practices and implement continuous improvements.

Loss of key people

Loss of key management personnel could have a material impact on the Group's operating and financial performance during the period until suitable replacements are found.

To mitigate this risk, Bellamy's:

- ensures effective employee retention strategies including adequate remuneration, appropriate incentives, culture, employment policies, succession planning and spread of duties are adopted;
- ensures appropriate short and long-term incentive programs are implemented; and
- undertakes regular 'gap' analysis to continue to build capability and support future growth.

Andrew Cohen
Chief Executive Officer

Andrew was appointed as Chief Executive Officer in April 2017 having been appointed as acting Chief Executive in January 2017 and had previously held the position of Chief Operating Officer and Chief Strategy Officer from July 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 its Consumer Products and Retail practice and has over 15 years' experience in the sector in management and consulting roles. Andrew holds a Bachelor of Commerce and Arts from University of Melbourne and an M.B.A. from Cambridge University (Dux).

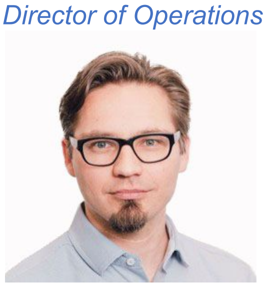
Nigel Underwood
Chief Financial Officer

Nigel was appointed as Chief Financial Officer in April 2017, having been appointed acting Chief Financial Officer of the Group in January 2017. Nigel has over 20 years of listed company financial, reporting and corporate governance experience. Nigel's experience spans a range of international businesses in a variety of industries. Many roles have been undertaken during periods of substantial organisational and industry change. Nigel holds an M.B.A., is a fellow of the Chartered Accountants Australia and New Zealand and is a graduate member of the Australian Institute of Company Directors.

Melinda Harrison
General Counsel, Company Secretary and Head of Regulatory Affairs

Melinda was appointed as General Counsel and Company Secretary in May 2017. Melinda has over 20 years' experience in law, risk and governance in listed and privately held companies both in Australia and internationally. Prior to Bellamy's, Melinda was General Counsel at Carter Holt Harvey and chair of the risk committee. Prior to that Melinda held senior legal and governance roles in a US listed group of companies based in Hong Kong, conducting significant work in China and throughout Asia. Melinda started her career in Corporate Advisory at King & Wood Mallesons. Melinda holds an M.B.A. (Hons) from the University of Hull (U.K.), a Bachelor of Laws (Hons) from the University of Melbourne, a Bachelor of Arts (Hons) from the University of Melbourne and is a graduate member of the Australian Institute of Company Directors (Order of Merit). Melinda has also completed a certificate of Governance Practice from the Governance Institute of Australia.

Peter Fridell
Director of Operations



Peter joined Bellamy's in February 2017. Peter has over 15 years' of strategy, operational improvement and senior finance experience. Prior to joining Bellamy's, Peter gained extensive fast-moving consumer goods experience as Strategy Director and Supply Finance General Manager at Carlton & United Breweries. Peter has previously worked with A.T. Kearney management consultants and as a mechanical design engineer. Peter holds an M.B.A. (Dean's list) from INSEAD (France), a Bachelor in Mechanical & Manufacturing Engineering (first-class honours) from the University of Melbourne, and a Bachelor of Commerce from the University of Melbourne.

David Jedynak
Director of Sales and Marketing

David joined Bellamy's in July 2016 and was a key advisor during the restructure of the business. David was appointed as Director of Sales and Marketing in June 2017 having been appointed as acting Director in January 2017. David has over 13 years' experience in strategy, private equity and venture investing, across both developed and emerging markets. David has worked as a Principal with Bain & Company where he focussed on consumer/retail businesses, managed investment portfolios focussed on high-growth small-cap businesses and built and advised several tech start-ups. David holds a Bachelor of Engineering (Mechatronics) and Bachelor of Computer Science from the University of Melbourne.


BELLAMY'S ORGANIC
PEAR & APPLE SNACKS
12 MONTHS
BELLAMY'S ORGANIC
ORGANIC
APPLE SNACKS
12 MONTHS

Directors’ Report

The Directors present their report together with the financial statements on the consolidated entity consisting of Bellamy's Australia Limited ('Company' or 'parent entity') and the entities it controlled ('Group') at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were Directors of Bellamy's Australia Limited during the whole of the financial year and up to the date of this report:

John Ho - Chair
John Murphy - Deputy Chair
Rodd Peters
Wai-Chan Chan
Shirley Liew

Principal activities

The Company is an ASX-listed Tasmanian food brand business. The Group offers a range of Organic food and formula products for babies and toddlers, which are all Australian-made and certified Organic.

The Group offers 40 products that are tailored to the needs of babies and toddlers.

There were no significant changes to the principal activities during the financial year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $22,114,000 (30 June 2018: $43,267,000).

A comprehensive review of operations is set out in the front section of this Annual Report on pages 5 to 15 of the Operating and Financial Review ('OFR').

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group's strategy is to continue to focus investment, capacity and capability on bringing the core business of infant formula and baby food in Australia and China to full potential. The Chinese market is particularly important to the Group due to its size and projected growth rate, driven by demographics and changing consumer wealth and preferences.

In the near term, the Group is focussed on achieving the required State Administration for Market Regulation ('SAMR') registration to enable importation and sale of Chinese-label product to recommence in China. The Group will then focus on taking greater control of its marketing and distribution in China and growing the revenue from Chinese-label products sold in China. Anticipated changes to the distribution model in China will increase revenue and increase marketing and distribution costs. It is anticipated this will have a neutral impact on profit initially and contribute to greater long-term profitability.

In the medium term, the priority will be to strengthen the Group's consumer proposition within the Organic baby food and formula category. This will require investment in both the brand and in updating and expanding the product range.

The Group is continually evaluating new markets and laying early foundations for longer-term growth beyond the core business.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Group recognises that a commitment to the sustainable management of our financial, environmental and social impact is fundamental to the success and well-being of both our business and our stakeholders. Further information on the Group's safety and sustainability initiatives can be found in the Sustainability Report on pages 38 to 43 of the Annual Report.

Information on Directors

Name:	John Ho (appointed 13 April 2017)
Title:	Non-Executive Director and Chair
Qualifications:	Bachelor of Science in Mathematics and Bachelor of Commerce in Finance (First Class Honours and University Medal) from the University of New South Wales.
Experience and expertise:	John founded Janchor Partners and serves as its Chief Investment Officer. Janchor Partners is a long-term industrialist investor in companies with superior long-term value creation potential in the Asia Pacific region. John also serves as Deputy Chairman of the Hong Kong Exchange Listing Committee, the regulatory body that provides independent oversight of listing rules and companies in Hong Kong. John has extensive business and investment experience in consumer, technology and health related sectors, especially in Australia and China.
Other current directorships:	Vocus Group Limited (ASX: VOC) (since 2018)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	8,752,182 ordinary shares
Interests in options:	None

Name:	John Murphy (appointed 18 May 2017)
Title:	Independent Non-Executive Director and Deputy Chair
Experience and expertise:	John has over 35 years' experience in Australia and internationally in the beverage, food and packaging industry. John has held numerous senior leadership roles at large multinational companies, including Managing Director of Coca-Cola Amatil Australia, Chief Executive Officer of Visy Packaging and Recycling for Australasia and Managing Director of Fosters Australia/Carlton & United Breweries. John currently sits on the advisory board of a number of private companies and also advises a range of companies internationally.
Other current directorships:	None
Former directorships (last 3 years):	Former Chair of Lantern Hotel Group Limited (ASX: LTN) (June 2015 - June 2016)
Special responsibilities:	Chair of Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	193,373 options over ordinary shares

Name:	Rodd Peters (appointed 28 February 2017)
Title:	Non-Executive Director
Qualifications:	Bachelor of Laws from University of Tasmania and also a Master of Laws (Hons) from Trinity Hall, University of Cambridge
Experience and expertise:	Rodd has over 30 years' experience as a commercial transactions lawyer and litigation lawyer. For the first 7 years of his career he was a barrister and he then established his own law firm in partnership in 1993. Rodd is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	43,600 ordinary shares
Interests in options:	36,257 options over ordinary shares

Name:	Wai-Chan Chan (appointed 28 February 2017)
Title:	Independent Non-Executive Director
Qualifications:	Ph.D. from the University of Cambridge, an M.B.A from the Harvard Graduate School of Business Administration, and a Bachelor of Science from Imperial College, London.
Experience and expertise:	Wai-Chan brings 25 years of consulting and operating experience in the consumer products and retailing sectors, with a focus on Asia, in particular China. He advises clients in the grocery, health and beauty, apparel and food and beverages industries on issues related to strategy, operations, organisation, and digital. Wai-Chan currently works for Oliver Wyman where he is a partner and the Global Leader of the Consumer Goods Practice. Wai-Chan was also previously at the retailer Dairy Farm, where he was the Regional North Asia Director, responsible for some 2,500 stores across multiple formats. Wai-Chan was also a partner at McKinsey & Company in Greater China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	36,257 options over ordinary shares

Name:	Shirley Liew (appointed 13 December 2017)
Title:	Independent Non-Executive Director
Experience and expertise:	Shirley has over 25 years' experience in international, listed and world class organisations in Australia as well as the UK and Asia. Shirley has held senior commercial finance roles and lead advisory/audit partner roles in top-tier Chartered Accounting firms, including Grant Thornton and Ernst & Young. Shirley currently serves on a number of advisory boards and is Chair and Non-Executive Director of Outset Group (Amber Tiles Franchise) as well as both Non-Executive Director and Committee Chair for audit, finance and risk for each of Lantern Hotels Group Limited, Amber Group Pty Limited, Hunter United Employees Credit Union Limited and Bridge Housing Limited. Shirley also serves as independent advisor and member of various audit and risk committees including Transport NSW Trains and the NSW Local Health Districts of Central Coast.
Other current directorships:	Non-executive Director of Lantern Hotel Group Limited (ASX: LTN) (since June 2015)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	None
Interests in options:	20,878 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Name	Melinda Harrison
Title:	General Counsel, Company Secretary and Head of Regulatory Affairs
Qualifications:	M.B.A. (Hons) from the University of Hull (U.K.), a Bachelor of Laws (Hons) from Melbourne University, a Bachelor of Arts (Hons) from Melbourne University and recently graduated from the Australian Institute of Company Directors course with an Order of Merit. Melinda has also completed a certificate of Governance Practice from the Governance Institute of Australia.
Experience and expertise:	Melinda was appointed as General Counsel and Company Secretary in May 2017. Melinda has over 20 years' experience in law, risk and governance in listed and privately held companies both in Australia and internationally. Prior to joining the Group, Melinda was General Counsel at Carter Holt Harvey, one of Australia's largest wood manufacturing business where she led the legal function in Australia as well as being chair of the risk committee. Prior to that Melinda held senior legal and governance roles in a US listed group of companies based in Hong Kong, conducting significant work in China and throughout Asia. Melinda started her career in private practice in Corporate Advisory at King & Wood Mallesons.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board		*Audit and Risk Committee*		*Remuneration and Nomination Committee*	
	Attended	*Held*	*Attended*	*Held*	*Attended*	*Held*
John Ho	10	10	4*	4	3	3
John Murphy	10	10	4	4	3	3
Rodd Peters	10	10	3	4	3*	3
Wai-Chan Chan	9	10	4	4	3	3
Shirley Liew	10	10	4	4	3*	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

* By invitation, not a member of the relevant committee

Options over ordinary shares

Options over ordinary shares of Bellamy's Australia Limited under option at the date of this report are as follows:

Grant date	*Expiry date*	*Exercise price*	*Number under option*
29 June 2015	29 June 2020	$1.200	388,522
23 December 2015	23 December 2020	$4.870	207,214
30 June 2016	30 June 2020	$9.880	369,125
30 June 2016	22 December 2020	$9.880	283,250
3 October 2016	3 October 2021	$14.040	296,681
13 June 2017	13 June 2021	$5.643	3,738,090
2 October 2017	2 October 2021	$7.820	50,000
26 October 2017	13 June 2021	$5.643	265,887
20 April 2018	20 April 2022	$20.560	38,143
28 August 2018	28 August 2022	$9.670	59,406
24 October 2018	13 December 2021	$11.190	20,878
2 January 2019	2 January 2023	$7.380	200,000
			5,917,196

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

Bellamy's Australia Limited issued 101,935 ordinary shares on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001 (Cth) ('Corporations Act'). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial 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.

The Directors are of the opinion that the services as disclosed in the financial statements do not compromise the external auditor's independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of PricewaterhouseCoopers

There are no officers of the Company who are former partners of PricewaterhouseCoopers.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 ('ASIC Instrument'), relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 53 of this annual report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act.


AUSTRALIAN MADE
B
CERTIFIED ORGANIC
BELLAMY'S
ORGANIC
ORGANIC
TODDLER MILK DRINK
Made from nature. Optimised by science.
12+ MONTHS
NET 900 g
3
Premium Ingredients
Contains DHA and GOS
Trusted by Australian Families
CERTIFIED ORGANIC
AUSTRALIAN MADE

Remuneration Report (audited)

The Remuneration Report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 (Cth) ('Corporations Act') and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Key management personnel
The KMP of the Group during the financial year ended 30 June 2019 ('FY19') consisted of the following Directors of Bellamy's Australia Limited:
- John Ho - Non-Executive Chair
- John Murphy - Independent Non-Executive Director and Deputy Chair
- Rodd Peters - Non-Executive Director
- Wai-Chan Chan - Independent Non-Executive Director
- Shirley Liew - Independent Non-Executive Director

and the following persons:
- Andrew Cohen - Chief Executive Officer
- Nigel Underwood - Chief Financial Officer
- Peter Fridell - Director of Operations
- David Jedynak - Director of Sales and Marketing
- Melinda Harrison - General Counsel, Company Secretary and Regulatory Affairs

All KMP held their positions for the duration of FY19.

Remuneration Report
The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- is transparent.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its Directors and Executives. The performance of the Group depends on the quality of its Directors and Executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- focusing on aligning rewards with sustained growth in shareholder wealth, including long-term equity-based incentives with performance metrics linked to Total Shareholder Return ('TSR'), as well as focusing the executive on key non-financial drivers of value;
- attracting and retaining high calibre executives; and
- providing clear and direct alignment with shareholder's interests through share ownership, i.e. executives are rewarded when shareholders are rewarded.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

Non-Executive Directors' remuneration
Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. Consistent with the year ended 30 June 2018 ('FY18'), the Chairman has again made the personal decision to waive his Board fees.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be approved by shareholders at a general meeting. The most recent determination was at the Annual General Meeting held on 20 October 2015, where the shareholders approved a maximum annual aggregate remuneration of $1,000,000.

The Board recognises the participation of Directors in the financial year ended 30 June 2017 ('FY17') Turnaround Long Term Incentive ('LTI') plan was not usual, however it was especially important to have high calibre Directors with the requisite and specific skills and the time commitment available to guide the Company in achieving the turnaround strategy. The Chairman did not participate in the initial FY17 Turnaround LTI plan grant, and no other Turnaround LTI offers or grants were made to Directors during FY19.

Executive KMP remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive KMP remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Executive fixed 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, knowledge, skills and experience, and individual performance.

The Board believes that each executive should have a significant portion of their remuneration at-risk and linked to the Group's annual business objectives and actual performance, and has ensured that the remuneration mix is aligned with the creation of sustainable value for shareholders.

Due to the importance of the continuing turnaround strategy for the Group, in FY17, the Board created a larger weighting for long-term variable remuneration; with a reduction in the short-term variable component. No LTI awards were granted in FY19 to existing KMPs as the FY17 award was intended as a 3-year turnaround grant.

This ensures that the Group attracts, motivates, and retains top tier talented executives to deliver on its business strategy and contribute to the Group's ongoing financial performance.

The Group's short-term incentive ('STI') plan rewards the Chief Executive Officer ('CEO') and those executives reporting to him (including the KMP executives) for performance against a pre-determined scorecard of measures linked to the Group's business performance (12 months) and individual performance. Performance measures may vary from year to year depending on the Company's objectives and are chosen on the basis that they will increase financial performance, market share, and shareholder returns.

The STI plan is designed to encourage and reward high performance and for this reason, places a proportion of the executives' remuneration at-risk against targets linked to the Company's annual performance objectives. This supports the alignment between the interests of the executive, the Company and its shareholders.

CEO's FY19 KPIs and STI outcomes

Andrew Cohen's performance for FY19 has been assessed based on consideration of his important and significant role in the execution of strategic objectives of the Group during FY19, including his leadership, direction and prioritisation of activities.

The performance measures for FY19 were set by the Board in early FY19 and are set out below. The performance measures were consistent with those set in the previous financial year and ensure continued focus on achieving the Group's 2021 strategic plan. The STI rewards short-term financial performance, while the LTI plan encourages long-term growth in shareholder value.

Financial measures for the CEO are based on normalised Earnings Before Interest Tax & Depreciation ('EBITDA'), Sales Revenue and Gross Profit Margin. The normalised result excludes individually significant items not expected to be repeated in future years. These hurdles have been in place for several years and take into account that there are certain matters of a non-recurring nature which may not accurately reflect underlying performance. By adjusting for these items, management are not discouraged from making short-term decisions that ultimately benefit long-term value creation.

The non-financial measures were specific to the CEO's role and required him to establish a fully defined and adaptable 2021 strategy that clearly articulated the pathway for the Group to become a Global and Iconic Infant Brand, and transform the organisation to a high-performing Fast-Moving Consumer Goods ('FMCG') group that could deliver the aspirations of the strategic plan with high retention and high engagement of employees. The non-financial measures focussed on Sales Growth and Discipline, Strategic Cost Position, Supply Chain Flexibility, Brand Investment and Penetration, and Strategy and People both domestically and internationally.

Key performance indicators	*Weighting %*	*Achievement (As a % of FY19 Stretch Target) %*	*Paid out*
Financial:			
Normalised EBITDA ($m)	24%	53.30%	No
Sales Revenue ($m)	18%	76.06%	No
Gross Profit Margin %	18%	101.21%	Yes
Non-financial:			
Sales Growth and Discipline	8%	80.00%	Yes
Strategic Cost Position	8%	100.00%	Yes
Supply Chain Flexibility	8%	100.00%	Yes
Brand Investment and Penetration	8%	80.00%	Yes
Strategy and People	8%	90.00%	Yes
Total	100%		

The financial measures for FY19 were largely not achieved:

- revenue and normalised EBITDA were lower than the targets set by the Board. While a range of uncontrollable factors contributed to this outcome, the Board did not consider they warranted adjustment of the targets. It was noted however, that strategically in FY19, marketing expenditure doubled and the Group undertook a significant investment in people, particularly in China.
- gross profit margin was achieved through significant improvement in ingredient costs and supply chain flexibility, together with the launch of margin accretive nutritionally enhanced products.

The CEO performed strongly on the non-financial measures with significant progress on all KPIs being achieved at both at-target and stretch levels.

Achievement highlights for qualitative KPIs include:

Sales Growth and Discipline	disciplined approach to sales/rebrand and trade inventory management enabling an important reset of channel economics to rebuild strong brand foundation;
Strategic Cost Position	significant improvements in cost structures aligned to the longer-term strategy (ingredients and direct costs);
Supply Chain Flexibility	Country of Origin labelling (CoOL) standards achieved through fresh milk integration into the supply chain. Ongoing improvement to supply chain flexibility and reducing input costs exceeded the expectation set in the strategic plan and set the business up well for future profitable growth;
Brand Investment and Penetration	reformulation of nutritionally enhanced products was successfully executed, incorporating DHA, ARA, GOS into formula and food products;
	continued investment in the innovation pipeline which will help drive the next wave of growth, including ultra premium, Step 4, pregnancy milk and food;
Strategy and People	investment in capability in key strategic pillars for the business – being Innovation, Food and China strategy, including a step change in capability across the organisation, with a particular focus on marketing and sales capability in China;
	the continued embedding of the renewed culture program which enhanced communication and feedback within the organisation and recognises and rewards exceptional talent.

Andrew Cohen has continued to demonstrate strong leadership during the most significant rebrand the Company has ever embarked on and through resetting key business foundations required to deliver on the longer-term strategy. The significantly reduced award for financial performance aligns with shareholder requirements for revenue growth and profitability. Accordingly, the amount of STI awarded to Andrew Cohen recognises his individual performance and the achievement of a significant portion of the FY19 non-financial stretch KPIs as set by the Board.

All other KMP were assessed on the same financial measures and substantially the same non-financial measures as the CEO relevant to their portfolios, with specific focus on their respective areas of accountability. This ensured consistency across key areas of focus within the Company.

Summary of FY19 STI payments to Executive KMP

FY19 STI payment	*STI opportunity At Target* $	*STI opportunity Stretch** $	*STI achieved*** $	*STI achieved Stretch* %
KMP Executives				
Andrew Cohen	230,885	384,808	177,181	46.0%
Nigel Underwood	70,000	105,000	52,500	50.0%
Peter Fridell	70,000	105,000	52,500	50.0%
David Jedynak	70,000	105,000	52,500	50.0%
Melinda Harrison	65,000	97,500	48,750	50.0%

* KMP Executives' STIs have a stretch component that is designed to encourage above at-target performance.

** STI amounts indicated to have been achieved in respect of FY19 are subject to an annual review and only payable subsequent to 30 June 2019 upon ratification and recommendation by the Remuneration and Nomination Committee and approval by the Board of Directors.

Turnaround Long-Term Incentive Plan

A new form of LTI plan was implemented in FY17 called the Turnaround Long-Term Incentive Plan ('Turnaround LTI Plan'). The purpose of the Turnaround LTI Plan was to focus the executives' efforts on the achievement of sustainable long-term shareholder value creation and the long-term financial success of the Group.

The Turnaround LTI grant was issued with the 13 June 2017 Prospectus and was designed to align Board and Executive decisions and discretionary effort with the interests of shareholders. Details of the Turnaround LTI Plan are outlined on page 31.

Participants	Executive KMP and certain Non-Executive Directors. All Executive KMP awards were made in FY17 or on commencement of employment.
What is the grant frequency?	A single grant covering 3 years of equity remuneration.
Do participants pay for options?	Options are granted as part of remuneration and therefore there is no payment provided in connection with a grant. However, participants are required to pay an exercise price to exercise the options and receive shares, should the options vest in accordance with their terms.
What is the performance hurdle and why was it chosen?	The TSR hurdle is based on the Company's share price growth on a compound basis over the relevant performance period. A TSR hurdle was chosen as it is directly linked to the Company’s share price growth and therefore the increase in value created for shareholders.
How is the TSR performance hurdle tested?	Each Tranche is tested against the TSR performance hurdle over the performance period, in accordance with the applicable opening and closing share prices. The opening share price is the Volume Weighted Average Price ('VWAP') of the Company's ordinary securities traded on ASX for the 10 trading days prior to the offer date. The closing share price is the VWAP of the Company's ordinary securities traded on ASX for the 10 trading days following the announcement of the Company's annual results (or half year results, where applicable) in respect of each performance period in the Total Performance Period (or following the announcement of the half yearly results in respect of the Third Performance Period).
When are the test dates for the FY17 LTI Grant?	The test date for Tranche 1 options will be following the announcement of the Company's 2019 annual results (end of the first performance period). The test date for Tranche 2 options will be following the announcement of the Company's 2020 annual results (end of the second performance period). Tranche 1 options that do not vest at the end of the first performance period will be eligible for re-testing at the end of the second performance period. Tranche 1 and 2 options that do not vest by the end of the second performance period, will be eligible for re-testing following the announcement of the Company's 2021 half-year results (the end of the third performance period). Any options that do not vest following testing at that time will lapse.
What is the exercise price?	The exercise price for the initial Turnaround LTI grant of options in FY17 is $5.643.
What share price is required for vesting?	For the initial FY17 turnaround grant, a share price of $8.47 is required for the minimum vesting of 50% of the grant, while a share price of $11.29 is required for 100% vesting.

The Turnaround LTI Plan was designed as a replacement for the FY17, FY18 and FY19 LTI awards, and accordingly, there were no subsequent grants in FY18 or FY19 for those who received options in FY17.

The provision of LTI plan awards via options for ordinary shares in the Company encourages long-term share exposure for the executives and, therefore, drives behaviours that align with the interests of shareholders.

The FY17 Turnaround LTI grant to Executives was designed to cover three years of equity reward, and continues to motivate and retain executives during the key turnaround phase of the business. As the FY17 LTI Plan now commences its third year of operation, a key objective of the Board is to implement a newly designed LTI Plan in FY20 which takes into consideration a balanced approach to hurdle setting, aligns with shareholder expectations and continues to motivate and retain key executives to support the growth of the business beyond FY20.

Use of remuneration consultants
The Remuneration and Nomination Committee periodically engages independent remuneration consultants to advise and assess the remuneration of the Chairman, Non-Executive Directors, CEO and those executives reporting to the CEO. These advisors are engaged by, and report directly to, the Remuneration and Nomination Committee and are used to:
- provide updates on remuneration trends, regulatory changes, market analysis and shareholder and proxy advisor views; and
- assist in the review, design, and development of CEO and senior executive reward levels and arrangements (including short-term and long-term incentives).

No remuneration recommendations from external consultants were received in FY19. During FY19, Mercer Consulting Australia Pty Ltd was engaged to provide the valuation of options grants to new directors and senior executives (issued under the existing LTI Plan), but did not provide any recommendations on the participants, quantum for participants, or the hurdles.

Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')
At the 24 October 2018 AGM, 95.69% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	Cash salary and fees** $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled options* $	Total $
Non-executive Directors:							
J Ho	-	-	-	-	-	-	-
J Murphy	123,000	-	-	11,685	-	390,614	525,299
R Peters	78,000	-	-	7,410	-	73,240	158,650
W-C Chan	78,000	-	-	7,410	-	73,240	158,650
S Liew	90,000	-	-	8,550	-	8,035	106,585
Executive KMP:							
A Cohen	799,509	177,181	-	20,531	6,297	1,110,353	2,113,871
N Underwood	329,509	52,500	81,065	20,531	1,505	261,277	746,387
D Jedynak	329,509	52,500	-	20,531	1,505	261,277	665,322
P Fridell	329,509	52,500	-	20,531	1,505	242,024	646,069
M Harrison	304,509	48,750	-	20,531	1,391	110,011	485,192
	2,461,545	383,431	81,065	137,710	12,203	2,530,071	5,606,025

* The fair value of options as at the date of their grant has been determined in accordance with AASB 2 'Share-based Payments'. The amount shown is the amortised expense for FY19.
** From 1 July 2018 salary payments were changed from fortnightly to monthly. FY18 total salary payments therefore reflect a higher cash payment due to timing of fortnightly salary payments.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled options* $	Total $
Non-executive Directors:							
J Ho	-	-	-	-	-	-	-
J Murphy	128,428	-	-	12,201	-	404,620	545,249
R Peters	78,000	-	-	7,410	-	75,866	161,276
W-C Chan	78,000	-	-	7,410	-	75,866	161,276
S Liew**	49,643	-	-	4,716	-	10,946	65,305
Executive KMP:							
A Cohen	815,335	370,000	-	20,048	5,100	1,428,261	2,638,744
N Underwood	336,296	91,000	48,665	20,048	510	261,277	757,796
D Jedynak	336,296	105,000	-	20,048	510	261,277	723,131
P Fridell	336,296	105,000	-	20,048	510	242,024	703,878
M Harrison	289,768	91,500	-	20,048	471	110,011	511,798
	2,448,062	762,500	48,665	131,977	7,101	2,870,148	6,268,453

* The fair value of options as at the date of their grant has been determined in accordance with AASB 2 'Share-based Payments'. The amount shown is the amortised expense for FY18.
** Options of S Liew were approved by shareholders at the 2018 AGM.

Consistent with FY18, the Chairman has again made the personal decision to waive his Board fees.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-executive Directors:						
J Ho	-	-	-	-	-	-
J Murphy	26%	26%	-	-	74%	74%
R Peters	54%	53%	-	-	46%	47%
W-C Chan	54%	53%	-	-	46%	47%
S Liew	92%	83%	-	-	8%	17%
Executive KMP:						
A Cohen	39%	32%	8%	14%	53%	54%
N Underwood	58%	54%	7%	12%	35%	34%
D Jedynak	53%	49%	8%	15%	39%	36%
P Fridell	55%	51%	8%	15%	37%	34%
M Harrison	67%	60%	10%	18%	23%	22%

Service agreements
Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

	Period of notice to terminate by the Executive KMP	*Period of notice to terminate by the Group**
CEO and CFO	6 months	6 months**
Other Executive KMP	6 months	6 months***

* Payment in lieu of the notice period may be provided (based on the executive's fixed remuneration). The Group may also terminate at any time without notice for serious misconduct.
** Redundancy payments for the CEO and CFO is a payment of 6 months' salary and will include any applicable payment in lieu of notice.
*** Redundancy payments for all Executive KMP (other than the CEO and CFO) is calculated in accordance with the Company or Group policy (Fair Work Act 2009 (Cth) legislated requirements) and will include any applicable payment in lieu of notice.

Andrew Cohen and Nigel Underwood's service agreements provide for a payment in lieu of notice on a fundamental change in role.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Non-executive Directors and other KMP as part of compensation during the year ended 30 June 2019.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of Non-Executive Directors and other KMP in this financial year or future reporting years are as follows:

Grant date	*Vesting date and exercisable date*	*Expiry date*	*Exercise price*	*Fair value per option at grant date*
3 Oct 2016	Sep 2019	3 Oct 2021	$14.040	$3.520
13 Jun 2017	Sep 2019 and Sep 2020	13 Jun 2021	$5.643	$2.045
26 Oct 2017*	Sep 2019 and Sep 2020	13 Jun 2021	$5.643	$7.510
24 Oct 2018**	Mar 2020 and Mar 2021	13 Dec 2021	$11.190	$2.185

* The grant of options to Directors was approved by shareholders at the AGM on 26 October 2017. The offer was made to Directors on 13 June 2017 as part of the Turnaround LTI Grant.
** The grant of options to S Liew was approved by shareholders at the AGM on 24 October 2018. The offer was made to S Liew on her commencement as a Director on 13 December 2017.

Name	*Number of options granted*	*Grant date*	*Vesting date and exercisable date*	*Expiry date*	*Exercise price*	*Fair value per option at grant date*
Non-Executive Directors:						
J Murphy*	96,686	26 Oct 2017	Sep 2019	13 Jun 2021	$5.643	$7.510
	96,687	26 Oct 2017	Sep 2020	13 Jun 2021	$5.643	$7.510
R Peters*	18,129	26 Oct 2017	Sep 2019	13 Jun 2021	$5.643	$7.510
	18,128	26 Oct 2017	Sep 2020	13 Jun 2021	$5.643	$7.510
W-C Chan*	18,129	26 Oct 2017	Sep 2019	13 Jun 2021	$5.643	$7.510
	18,128	26 Oct 2017	Sep 2020	13 Jun 2021	$5.643	$7.510
S Liew*	10,439	24 Oct 2018	Mar 2020	13 Dec 2021	$11.190	$2.190
	10,439	24 Oct 2018	Mar 2021	13 Dec 2021	$11.190	$2.180
Executive KMP:						
A Cohen	369,125	30 Jun 2016	Sep 2017	30 Jun 2020	$9.880	$1.210
	283,250	30 Jun 2016	Sep 2018	22 Dec 2020	$9.880	$1.580
	168,345	3 Oct 2016	Sep 2019	3 Oct 2021	$14.040	$3.520
	837,500	13 Jun 2017	Sep 2019	13 Jun 2021	$5.643	$2.050
	837,500	13 Jun 2017	Sep 2020	13 Jun 2021	$5.643	$2.040
N Underwood	237,500	13 Jun 2017	Sep 2019	13 Jun 2021	$5.643	$2.050
	237,500	13 Jun 2017	Sep 2020	13 Jun 2021	$5.643	$2.040
P Fridell	220,000	13 Jun 2017	Sep 2019	13 Jun 2021	$5.643	$2.050
	220,000	13 Jun 2017	Sep 2020	13 Jun 2021	$5.643	$2.040
D Jedynak	237,500	13 Jun 2017	Sep 2019	13 Jun 2021	$5.643	$2.050
	237,500	13 Jun 2017	Sep 2020	13 Jun 2021	$5.643	$2.040
M Harrison	100,000	13 Jun 2017	Sep 2019	13 Jun 2021	$5.643	$2.050
	100,000	13 Jun 2017	Sep 2020	13 Jun 2021	$5.643	$2.040

* For Directors, the grant date is the date of receiving shareholder approval at the relevant AGM.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	*Number of options granted during the year 2019*	*Number of options granted during the year 2018*	*Number of options vested during the year 2019*	*Number of options vested during the year 2018*
A Cohen	-	-	283,250	369,125

Additional information

The earnings of the Group for the five years to 30 June 2019 and the factors that are considered to affect total shareholder return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Net revenue* ($'000)	266,238	328,704	240,182	234,083	125,302
EBITDA Statutory ($'000)	34,925	64,567	1,380	54,613	12,733
EBITDA Normalised** ($'000)	46,925	70,540	42,794	54,613	14,045
Share price at financial year end ($)***	8.31	15.54	6.91	10.21	4.37
Total dividends paid (cents per share)	-	-	-	0.12	0.03
Basic earnings per share (cents per share)	19.51	39.61	(0.80)	39.80	9.80
Average STI payout as a % at-target for eligible KMP Executives****	75.35%	148.05%	121.17%	150.05%	138.89%

* The net revenue for 2016 is the restated number.

** Normalised EBITDA has been used as it excludes the significant items not expected to be repeated in future years, including inventory write-downs, foreign exchange losses, legal, accounting and restructuring costs which were necessary in FY17, provision for inventory write downs relating to the transition to SAMR registered products in China and CoOL compliant labelling in Australia in FY18, and provision for inventory write downs relating to the rebrand in FY19.

*** The opening share price in 2015 was $1.30.

**** Only the CEO and CFO participated in the FY17 STI Plan.

Relationship between KMP outcomes and Company performance

The STI is based on a range of business building metrics that are designed to grow profitability and shareholder returns. While not directly linked to profit, the STI does correlate with short term profitability, as well as key initiatives which build the platform to support future growth of the business.

The LTI is directly related to improvements. As the LTI is mostly option related, executives do not receive any reward unless shareholder value is increased above the hurdles set at the date of grant. The LTI has greater leverage than the STI, meaning the executives have more to gain by ensuring long-term value creation and avoiding actions that may result in a STI but damage long-term value.

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director and members of Executive KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year*
Ordinary shares					
J Ho	8,752,182	-	-	-	8,752,182
R Peters	43,600	-	-	-	43,600
A Cohen	51,325	-	-	-	51,325
D Jedynak	13,400	-	-	-	13,400
M Harrison	3,933	-	1,300	-	5,233
	8,864,440	-	1,300	-	8,865,740

* There were no shares held nominally by KMP as at 30 June 2019 and as at the date of this report.

Only Directors and other members of KMP with holdings are disclosed above.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each Director and members of Executive KMP of the Group, including their personally related parties, is set out below:

Options over ordinary shares	*Balance at the start of the year*	*Granted*	*Exercised*	*Expired/ forfeited/ other*	*Balance at the end of the year*
J Murphy	193,373	-	-	-	193,373
R Peters	36,257	-	-	-	36,257
W-C Chan	36,257	-	-	-	36,257
S Liew	20,878	-	-	-	20,878
A Cohen	2,495,720	-	-	-	2,495,720
N Underwood	475,000	-	-	-	475,000
P Fridell	440,000	-	-	-	440,000
D Jedynak	475,000	-	-	-	475,000
M Harrison	200,000	-	-	-	200,000
	4,372,485	-	-	-	4,372,485

Options over ordinary shares	*Vested and exercisable*	*Balance at the end of the year*
A Cohen	652,375	652,375
	652,375	652,375

Only Directors and members of Executive KMP with holdings are disclosed above.

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act.

On behalf of the Directors

John Ho
Chairman

John Murphy
Deputy Chairman

27 August 2019
Melbourne

Sustainability Report

Overview

Sustainability Risk Management (Sustainability) is about embracing opportunities and managing business risks related to non-financial resources. This includes identifying opportunities to reduce dependency on limited resources, reduce waste in their use, and ultimately reduce the cost to the Group for utilising precious resources. Sustainability evaluates how fragile environmental assets are managed over the long term, ensuring an appropriate balance between consumption and conservation. Bellamy's continued focus on sustainability encompasses:

- health and safety of employees and customers;
- responsible marketplace interactions with suppliers, customers and industry;
- employee diversity and talent;
- environment protection and improvement; and
- community support

The topics of this report have been determined based on the assessment of materiality as outlined under the Global Reporting Initiatives (GRI) standard 1.3. While the GRI standards have been consulted, they have not been used in full.

Bellamy's has considered the environmental and social impacts of its operations and focussed this report on the most important matters for a broad range of stakeholders. Bellamy's focuses on identifying areas that provide opportunities for positive and meaningful change that deliver long-term positive societal outcomes. At the heart of this goal is a belief in the harmony of financial performance and ESG considerations.

Who we are

Bellamy's is a team of 150 people, with offices located in 4 countries, having a shared goal of providing a pure start to life for infants and children.

Recognising the importance of attracting and retaining the most highly skilled employees, Bellamy's provides a safe and flexible work environment free of discrimination. Through Bellamy's Equal Employment Opportunity (EEO) policy, a risk management approach is adopted to remove factors that could limit diversity whilst continuing to encourage merit-based recruitment and promotion based on performance. Bellamy's is committed to developing a culture that values and achieves diversity in both its workforce and on its Board of Directors.

Employees of Bellamy's are encouraged to be brave and are an interwoven patchwork of talented and diverse individuals. Bellamy's are committed to complying with all legislative workplace requirements, providing ongoing professional development and training, and encouraging Bellamy's employees to be the best version of themselves.

Bellamy's is committed to the development of sustainable and responsible business practices in order to achieve its diversity objectives. Bellamy's is proud of its workforce mix, with over 60% of the Bellamy's workforce being female, and over 50% of senior management positions being occupied by females. Bellamy's has a strong belief that diversity garners the creativity of ideas and fabrication of strong teams. Bellamy's will continue to strive to achieve its diversity goals.

Further information on Bellamy's people and diversity can be found on page 49 of this annual report.

Production

Bellamy's produces certified organic products. Being organic is a lifestyle increasingly understood by consumers and producers. At its core, organic produce sets a high benchmark for environmental sustainability.

The production of organic ingredients requires adherence to stringent sustainable organic farming and processing practices and standards. Organic farming practices are by their very nature sustainable, blending farming with the natural environment in which they are produced. The methods and resources used are designed to have minimal impact on the environment with an emphasis on utilising natural resources in the most efficient way possible.

During the financial year Bellamy's introduced a reformulated formula range to the market. The new formulation has the addition of Docosahexaenoic Acid (commonly and herein referred to as DHA). Bellamy's have reviewed the Company's supplier sustainability statement and are satisfied the DHA being used in Bellamy's products is sustainably sourced and produced.

Bellamy's is committed to improving the sustainability of the environment in which it operates. During FY19, Bellamy's consulted the final report published by the Task Force on Climate-Related Financial Disclosures (commonly and herein referred to as the TCFD) and reviewed Bellamy's susceptibility to climate-related risks. Bellamy's has limited exposure to the impacts of climate-related risks. Bellamy's has a regionally diverse range of suppliers, mitigating the risk of climate change on ingredient supplies and production.

As part of the process of 'onboarding' suppliers, the suppliers' organic values are evaluated for alignment with Bellamy's. Bellamy's considers supplier carbon pollution programs and awareness, supplier policies on emissions and pollution, supplier policies on water consumption and contamination, and any corporate exposure to negative environmental impacts.

Bellamy's major suppliers have global sustainability and social responsibility programs in place to ensure the sustainable and ethical sourcing and production of ingredients.

Product safety is the highest priority and Bellamy's holds an ISO9001 certification. All manufacturers used have food safety certifications, and employees receive regular and ongoing training to ensure the quality and safety of Bellamy's products remain uncompromised. Bellamy's is constantly working to improve its quality standards and is currently working toward obtaining ISO22000 accreditation which would further elevate Bellamy's already high-quality standards.

Our organic supply chain is audited and certified by relevant organic certifying authorities.

As announced in 2018, Bellamy's formed a strategic arrangement to increase the volume of Australian organic milk used in the production of infant formula. From a long-term sustainability perspective, Bellamy's are committed to taking the first 20 million litres of milk from the organic milk pool annually. Bellamy's are continually investigating responsible organic dairy ingredient sourcing options.

Bellamy's are proud of the Company's track record relating to the environment, reporting no environmental incidents or breaches in the Company's history.

Packaging

Bellamy's are a signatory to the Australia Packaging Covenant (APC). The APC aims to reduce the harmful impact of packaging on the environment.

- Formula Packaging: the Bellamy's formula range packaging is 100% recyclable (FY18: 100%). The cardboard box, tin, scoop, lid, label and seal can all be recycled. For FY19 the total amount of packaging material that could be recycled and avoid landfill was 2,308 tonnes (FY18: 1,998 tonnes).
- Food Packaging: Bellamy's understands the importance of incorporating recyclable materials into packaging, however product safety (within economic bounds) is not to be compromised. The individual components of the food pouches are recyclable but when the components are cast together, they are not. Bellamy's are currently exploring a TerraCycle program to enhance the recyclability of food packing and are committed to continually monitoring and exploring new technologies that are both commercially viable and sustainable. For FY19, the total amount of packaging material that could be recycled and avoid landfill was 186 tonnes (FY18: 192 tonnes).

Governance

Bellamy's defines risk broadly, and it includes a focus on governance, climate change, greenhouse gas emissions, exposure to Environment, Social and Governance (ESG) obligations, changing stakeholder perception and customer preferences, legislative changes and water management.

All ESG areas are considered risks and failure to properly address them will compromise the sustainable growth of the business. The Board has delegated to executive management the responsibility to identify actual and emerging risks and set in place programs to appropriately mitigate those risks.

Bellamy's prides itself in being at the forefront of governance matters and constantly strives to improve its governance framework. Bellamy's is aware of the recent introduction of the Modern Day Slavery Act (2018) (herein referred to as the 'Act'). Although there is no obligation for Bellamy's to report adherence to the Act until 30 June 2020, Bellamy's are being proactive in analysing the supply chain to ensure strict compliance with the Act. Bellamy's expects to be compliant in FY20.

Bellamy's risk management framework is described in the Corporate Governance Statement of this Annual Report.

Community Engagement

Bellamy's firmly believes in being a responsible corporate citizen and developing lasting and meaningful engagement with the communities in which it operates. Bellamy's has a proud history of donating funds, time and resources to charities, research and community groups.
Some examples of recent community engagement include:

- Primary sponsorship with the Clown Doctors™ Australia;
- Primary sponsorship of the Kid I Am event in Tasmania;
- Providing financial assistance to Giant Steps Australia;
- Business participation in Clean Up Australia Day;
- Regular stock donation to Food Bank Australia;
- Stock provided to Baobag: Great Australian Mothers' Group; and
- Sponsorship of the Cancer Council Women's 5km run.

Bellamy's also supports the philanthropy of others:

- Staff can receive paid time to attend fund raising events.
- In limited circumstances, direct or event-based donations are made.

Bellamy's are constantly pursuing community engagement opportunities that align with Bellamy's values and have a positive impact on the community.

Continual Improvement

Bellamy's sustainability program ensures robust protection of future growth, as well as ensuring costs are not uneconomically exposed to sustainability risk factors.

Bellamy's will progressively extend coverage of its own sustainability programs, and to the extent it is commercially viable, seek to align these practices with those of suppliers and production partners. Bellamy's will strive to enhance its sustainability initiatives in FY20.

Specific Sustainability Information

The following information is provided to assist assessment of Bellamy's sustainability risk and mitigations. It is important to note that Bellamy's:

- Is not a primary producer;
- Does not own or manage farms;
- Does not own or manage livestock;
- Does not directly set farm gate pricing for milk products; and
- With a regionally diverse supply chain, is not at risk of changes to climatic conditions in any single region.

Environment

Ingredient Production – Emissions, Effluents and Waste
Organic farmers use only natural products to nurture their crops and livestock. Sustainable farming practices work in harmony with the environment including water harvesting and effluent repurposing.

Superior farming practices and broad geographical dispersion of organic farmers minimise the impact of localised climatic changes.

Bellamy's prefers to source ingredients from Australian farmers, however, has access to production from farmers in New Zealand, Europe and the United States of America, reducing risk associated with regional climatic production shocks and supporting long-term growth in demand for Bellamy's products.

Ingredient Production – Supplier Credentials

Organic farmers must be certified organic. Certification is required from a certifying body approved by National Association for Sustainable Agriculture, Australia (NASAA). This process is rigorous and covers inputs, farming practices and outputs. In addition, producers of dairy products must maintain accreditation with dairy safety authorities.

Supply Chain and Logistics – Energy

Bellamy's source ingredients from local producers to the extent possible to reduce 'food miles'. This also reduces the input costs and carbon emissions.

The ingredients with the greatest food miles per kg are imported milk powders. Bellamy's will continue to work with local milk producers and support their conversion to organic farming via contracting with milk processors to purchase liquid or powdered milk.

Production – Energy

The most significant energy cost to Bellamy's is the energy required to spray dry liquid milk, hydrated milk powders and other ingredients into dry powder.

Spray drying is undertaken by the major manufacturers, who themselves have sustainability policies. As this is a competitive market, they pursue practices to reduce energy consumption/cost for commercial reasons in addition to the social benefits.

Bellamy's will increase the volume of liquid milk used in production as/when Australian farmers can produce it. This has the benefit of reducing the volume of spray drying and reducing production costs.

It is estimated that a 10% increase in energy prices could increase Bellamy's cost of goods sold by <0.2% (FY18: 0.2%).

Packaging – Emissions, Effluents and Waste

Bellamy's seeks to have 100% of its packaging as recyclable, however at this stage only 96.7% (FY18: 96.3%) is achievable (expressed as a % of the weight of packaging materials produced).

Packaging food products must ensure a perfect seal against bacteria entering the product and must be economically viable. Bellamy's will continue to work with packaging providers to help achieve a goal of 100% recyclable material.

Bellamy's also considers the recyclability of ingredient packaging during the tendering and on-boarding process.

People

Workplace Health and Safety

Bellamy's will never compromise on quality and never compromise on safety.

Bellamy's has a broad range of policies in place to ensure a safe environment for employees. It is included in the KPI's of the leadership team and a standing item on the Board agenda.

LTIFR for FY19 is <0.01% (FY18: <0.01%).

Capability and Diversity

Capability and performance culture is a source of competitive advantage. Bellamy's applies a high-performance framework which considers 'how actions are done' with as much emphasis as 'what actions are done'.

In addition to performance, Bellamy's encourages workplace diversity to ensure the voice of the customer is heard and understood. At 30 June 2019:

- 67% of the workforce is female (FY18: 60%)
- 57% of leadership team is female (FY18: 50%)
- 100% are committed.

Employee Turnover
For the period 1 July 2018 to 30 June 2019, Bellamy's employee turnover rate was 13%.

Health and Society

Health and Wellbeing – Product Quality
Bellamy's understands breast feeding is best, but also understands that sometimes circumstances can impact this ability. Bellamy's products are available for those parents who cannot breast feed, or make an informed choice to bottle feed.

Ethical marketing of Bellamy' products complying with World Health Organisation (WHO) guidelines both in substance and form.

Health and Wellbeing – Quality Assurance
Bellamy's tests product quality and facility hygiene at multiple levels including inputs, several stages of production, and output.

Regulation – Compliance
The regulators in the infant formula and food industry all share a common goal, ensuring the absolute highest standards in food safety for consumers.

Bellamy's formula is produced to a paediatric standard. Bellamy's only partners with producers and manufacturers who subscribe to this high standard.

Regulators include:

- Food Standards Australia New Zealand (FSANZ)
- Tasmanian Department of Health
- Australian Competition and Consumer Commission (ACCC)
- Dairy Food Safety Victoria (DFSV)
- Department of Agriculture and Water Resources (DAWR)
- State and Territory Departments of Health

Shareholder Value

Brand Value – Reputation and Brand
The Bellamy's brand is the Company's most important asset. Stewardship of the brand reflects the values of the company.

Stakeholder Communication – Informed Shareholders
Distinction is drawn between marketing Bellamy's products and providing information about Bellamy's company.

As a company, Bellamy's provides information to the market as soon as there is a material change in circumstances and/or a false market is forming. Refer to Continuous Disclosure Policy.

Public commentary meets all regulatory obligations, but Bellamy's does not seek publicity, nor does it comment on other companies, or provide commentary on channel performance.

The absence of commentary through formal channels in itself is an indication that there is no new information that needs to be disclosed.

Bellamy's Australia Limited
Corporate Governance Statement
30 June 2019

Corporate Governance Statement

The Board of Bellamy's Australia Limited ACN 124 272 108 (**Company**) is pleased to present the 2019 Bellamy's Corporate Governance Statement. This Corporate Governance Statement sets out the key features of the Company's governance framework and practices for the financial year ended 30 June 2019, and outlines the Company's corporate governance framework.

The Company and its associated entities are committed to upholding a high standard of corporate governance and has adopted policies and practices which are designed to support and promote the responsible management and conduct of the Company. These policies and practices are based on the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**).

The Company was compliant with the ASX Recommendations for the year ended 30 June 2019 other than Recommendation 2.5 (as the Chairman is not independent). The Board believes that its current composition is appropriate for positioning the Company to realise the significant long-term opportunities that are available in Australia, China and other markets. In order to maintain the existing high standards of corporate governance, the Board will continue to review and consider the Company's corporate governance practices, including the composition of the Board, on an ongoing basis with a view to making changes as the Company's circumstances evolve. Detailed information regarding the Company's compliance with the ASX Recommendations is set out in this Corporate Governance Statement.

This statement is current as at 27 August 2019 and has been approved by the Company's Board. The Company's Board and Committee charters, Code of Conduct and various policies referred to in this Corporate Governance Statement are available on the Corporate Governance section of the Company's website.

Board of Directors

The role of the Board

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders as well as its employees, consumers and the community. Ultimately, it is the Board's responsibility to work with the Executive management to instill a positive culture that aligns with the Company's values. Under the constitution, the Board is vested with accountability to shareholders for the management of the Group.

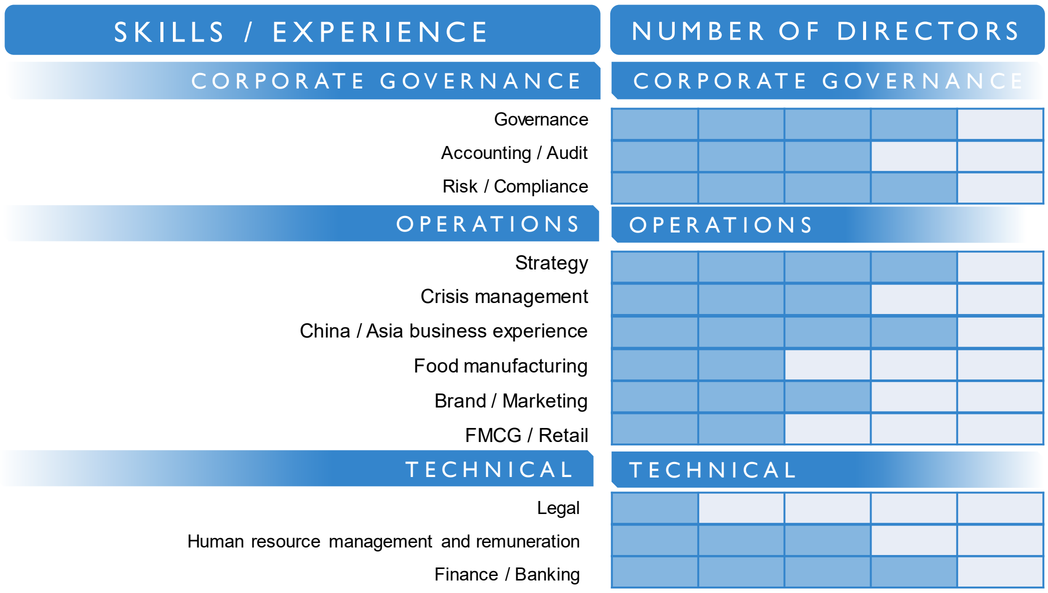
The Board has delegated responsibility for the operation and administration of the Company and Group to the CEO and Executive management. Responsibilities are delineated by formal authority delegations. Senior Executives reporting to the CEO have their roles and responsibilities defined in position descriptions.

The Board's role, responsibilities, powers, duties and functions and the matters specifically reserved to the Board or its Committees are detailed in the Board Charter. A copy of the Board Charter is available from the Company's website.

Board composition

The Board currently consists of five Non-Executive Directors, of whom three are independent Non-Executive Directors (including the Deputy Chairman). Details of each director, including the skills, experience, relevant expertise and period of office, are disclosed on pages 20 and 21 of the annual report.

The Board considers that individually and collectively the Directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively. The following table summarises the key skills and experience of the directors:



The Board, with the assistance of the Remuneration & Nominations Committee, annually reviews the mix of skills, expertise and experience of the Board and considers whether the composition and membership remain appropriate to meet the Board's objectives. The Board has determined that together the directors possess a comprehensive mix of skills, expertise and experience to discharge its responsibilities.

Director independence
Currently, a majority of directors on the Board are independent Non-Executive Directors.

The Board considers that the Deputy Chairman, John Murphy, Wai-Chan Chan and Shirley Liew are each independent. The Chairman, John Ho, is not independent as he is a nominee of a substantial shareholder of the Company, Janchor Partners. Further, Rodd Peters is not independent as he was an advisor to a substantial shareholder in the last three years.

Accordingly, the Company does not comply with Recommendation 2.5 (which provides that the Chair should be independent).

The Board considers that John Ho brings objective and independent judgement to Board deliberations and adds significant value to the Board given his experience and skills. John Ho is an experienced investor with extensive international business expertise, including in relation to Australian and Chinese markets.

John Murphy was appointed to the Board and elected Deputy Chairman on 18 May 2017. The creation of the Deputy Chairman role reflects the Board's commitment to ensuring there is active participation from independent directors in the leadership of the Board (recognising the Chairman is not an independent director). Each director (except Shirley Liew who was appointed at the 2018 AGM) stood for election at the 2017 AGM and was elected.

Director	*Role*	*Independence*
John Ho	Chair, Non-Executive Director	Not independent
John Murphy	Deputy Chair, Non-Executive Director Chair of Remuneration & Nominations Committee	Independent
Wai-Chan Chan	Non-Executive Director	Independent
Rodd Peters	Non-Executive Director	Not independent
Shirley Liew	Non-Executive Director Chair of Audit & Risk Committee	Independent

Further detail is contained in the Board Charter.

Director selection, nomination and appointment
The Board will continue to consider Board renewal and succession planning on an ongoing basis and is focussed on identifying suitable candidates for further appointments to the Board.

The Company's process for the selection, nomination and appointment of directors involves a formal selection process undertaken by the Board, with the assistance of the Remuneration & Nomination Committee.

The Board establishes criteria about the general qualifications and experience as well as the specific qualifications that a candidate should possess.

Appropriate checks on any potential candidates are conducted before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

The Company provides formal letters to all new directors and senior executives setting out the key terms and conditions of their appointment.

Shareholders are provided with all material information in the Company's possession that is relevant to a decision on whether to elect or re-elect a director in the notice of AGM.

Further detail is contained in the Remuneration & Nomination Committee Charter.

Induction and ongoing professional development
The Remuneration & Nomination Committee is responsible for formulating the induction process in respect of new directors and the review of the same, alongside the development of any programs or identification of any opportunities necessary to ensure the directors develop and maintain the skills and knowledge they require to fulfil their roles effectively.

Further detail is contained in the Remuneration & Nomination Committee Charter.

Performance evaluation

Board
The Board Charter requires that each year the Board will conduct an evaluation of its effectiveness and performance that evaluates:
- its own performance, including against the requirements of its Charter;
- the performance of its committees; and
- the performance of individual directors, against both measurable and qualitative indicators.

A performance evaluation of the Board, the committees and each director was conducted in FY19. The evaluation process was facilitated by the Chairman and involves:
- the completion of questionnaires/surveys by each director or member of the committee;
- the provision of a report to each director with feedback on the performance of the Board of committees based on survey results; and
- a meeting between the Board or committee to discuss areas for improvement.

Senior Executives
The Remuneration & Nomination Committee monitors and advises on the periodic performance of senior Executives. The CEO initiates performance reviews twice per year for each of the Executive whereby the individual is assessed against agreed goals and objectives.

Performance evaluations of senior executives have been undertaken during the current financial year in accordance with that process. The outcomes of the review and the link to individual remuneration levels are discussed in the Remuneration Report.

Remuneration
Disclosure regarding the remuneration of the Company's Non-Executive Directors, the CEO and CFO are set out in the Remuneration Report.

The CEO and each senior Executive have a written contract with the Company. The Remuneration Report sets out details of each written contract of members of the Company's key management personnel (**KMP**).

Company Secretary
The Company Secretary is accountable to the Board through the Chair and all directors have access to the Company Secretary.

The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes:

- advising the Board and its Committees on governance matters;
- monitoring that Board and committee policies and procedures are followed;
- coordinating all Board business (including agendas, Board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings); and
- providing a point of reference for dealings between the Board and employees.

Further detail is contained in the Board and Committee Charters.

Board Committees

The following Committees assist the Board in carrying out its responsibilities:

- Audit & Risk Committee; and
- Remuneration & Nomination Committee.

An overview of the roles and responsibilities, composition, and membership as at 30 June 2019 for each Committee is provided below.

Committee	*Audit & Risk Committee*	*Remuneration & Nomination Committee*
Roles and responsibilities	The primary purpose of the Audit & Risk Committee is to monitor and advise the Board on: • financial reporting; • external audit; • risk management; and • internal control structure.	The primary roles of the Remuneration & Nomination Committee are to assist the Board: • to attract and retain suitable directors and senior executives; • to ensure directors and executives are fairly and responsibly remunerated; • to evaluate the performance of directors and executives; and • to ensure there are appropriate succession plans.
Members as at 30 June 2019	• Shirley Liew (Chair) • John Murphy • Rodd Peters • Wai-Chan Chan The chair of the Audit & Risk Committee is an independent director who is not the chair of the Board and all of the committee's members are independent.	• John Murphy (Chair) • John Ho • Wai-Chan Chan The chair of the Remuneration & Nomination Committee is an independent director who is not the chair of the Board and the majority of the committee's members are independent.
Composition	The committee must comprise of: • a minimum of 3 members of the Board; • only Non-Executive Directors; • a majority of independent directors; • an independent director who is nominated by the Board as Chair, who is not Chair of the Board.	The committee must comprise of: • a minimum of 3 members of the Board; • only Non-Executive Directors; • majority of independent directors; • an independent director who is nominated by the Board as chair, who is not chair of the Board.

The Company's Audit & Risk Committee composition complies with the ASX Listing Rules and ASX Recommendations.

The Company's Remuneration & Nomination Committee composition complies with the ASX Listing Rules as it comprises all Non-Executive Directors. A majority of the directors on the committee are independent directors and it therefore complies with Recommendations 2.1 and 8.1, that a majority of members should be independent and the Chair be independent. Refer to the Audit & Risk Committee Charter and Remuneration & Nomination Committee Charter for further information.

Details of the number of meetings held by the Board and its committees during FY19, and attendance by Board members, are disclosed on page 22 of the annual report. Details of each committee member, including the skills, experience, relevant expertise, independence and period of office, are disclosed on pages 20 and 21 of the annual report.

CEO and CFO declaration

A decision by the Board to approve the Company's financial statements for a financial period is subject to a declaration from the CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Such declarations were received by the Board in respect of both the half-year and full-year financial statements for 2019.

Diversity

Bellamy's is committed to developing a fair and inclusive work environment that embraces diversity. The Company recognises the importance of diversity to its commercial success. Bellamy's approach to diversity is underpinned by six key principles including:

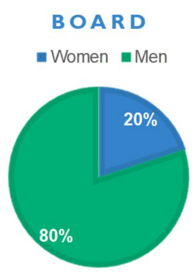
- maintaining a respectful, safe and inclusive working environment that is respectful of individual differences and attributes;
- eliminating artificial barriers to career progression by providing support and mentoring;
- by developing and offering flexible work practices to meet the differing needs of employees;
- recruiting and retaining a skilled and diverse workforce;
- employing a fair and effective process for appointment to roles based on relative ability, performance and potential; and
- fostering a culture, including through education and training, that rewards people for furthering the objectives under this policy.

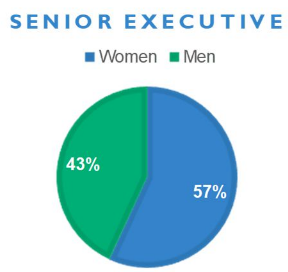
Bellamy's Diversity Policy is further underpinned by its management systems and a comprehensive People and Culture Program. The Board is committed to improving workplace diversity throughout the organisation. In FY18, the Board, together with the Remuneration & Nomination Committee, established measurable objectives for attaining gender diversity. The Board has carried forward these objectives for FY19, as set out below.

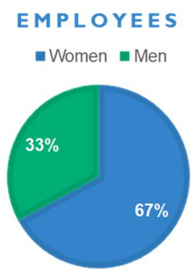
	Board measurable objective	***4 July 2018***	***30 June 2019***
Board	40%	20%	20%
Senior Executives**	50%	50%	57%
All employees	50%	62%	67%

The measurable objectives, and Bellamy's progress towards achieving them, is assessed annually by the Board (on recommendation of the Remuneration & Nomination Committee).

The Board recognises the importance of diversity in the workplace and is focussed on achieving a balanced representation of women on the Board and in senior positions over a reasonable transition period. In FY19, the Company's Board has one female representative with the appointment of Ms Shirley Liew in December 2017. The Company is proud to announce that in FY19 there has been an increase in overall female representation throughout the Company* from 62% to 67% in FY19 and an increase in female senior executives** from 50% to 57%. Further, 70% of new recruits during FY19 were women.







* data does not include employees at Camperdown Powder
** defined as KMP and other senior managers employed by Bellamy's Group (not including Camperdown Powder)

Ethical and responsible behaviour

The Company has a number of practices and policies in place to instil a culture of acting lawfully, ethically and responsibly.

Our values

The Company is committed to a high level of integrity and ethical standards across all business practices. To ensure a high level of integrity and ethical standards, the Company has a Code of Conduct and 11 core values (known as '*the 11 things we think are pretty important*') (the **11 things**) which outline the Company's expectation of employees and its representatives. The 11 things are highlighted in every office of the Company on a large wall for all employees and visitors to see.

Code of conduct

The Company has a comprehensive Code of Conduct that applies to its Directors, senior executives and employees. The code addresses (amongst other things):

- Compliance with laws and regulations;
- Fair trading and dealing;
- Conflicts of interest;
- Improper use of Bellamy's assets or intellectual property;
- Privacy;
- Employment practices;
- Whistleblowing;
- Community engagement; and
- Public communications and disclosures.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout Bellamy's;
- support Bellamy's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

Speak Up Policy

In 2019 the Company introduced the Bellamy's Australia Speak Up Policy. The Policy aims to protect employees past and present, officers, contractors, suppliers and associates in the event that they are witness to or are the subject of potential misconduct. The Policy outlines the process for making a complaint, and details the methods of maintaining the confidentiality of a concerned person's complaint.

This Policy and its process complies with the recent *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* (Cth).

All employees receive training upon induction, as well as annual training on this Policy as well as other policies that relate to compliance with laws and regulation. The Policy is accessible to employees of the Company on the Company's intranet as well as on the Company's website.

Anti-Bribery and Corruption Policy

In 2019 the Company introduced an Anti-Bribery and Corruption Policy that applies to all Company entities, directors, officers, employees and business partners. The Policy uses the legal definition of bribery, and prohibits conduct that involves improperly offering a benefit to a public official or someone in business in order to obtain or retain business or an advantage. The Policy is accompanied with a procedure that is required to be used by employees to ensure that anti-corruption and bribery laws are not breached.

As with the Company's Speak Up Policy, all employees receive annual training on this Policy. The Policy is also accessible to employees of the Company on the Company's intranet as well as on the Company's website.

Securities Trading Policy
The Company has a Securities Trading Policy which establishes a procedure for employees, directors and connected persons (**Relevant Persons**) to purchase or deal in the Company's securities. There are specific trading windows whereby Relevant Persons are allowed, restricted or prohibited from dealing in the Company's securities depending on the relevant disclosures of the Company. If the Relevant Person applies to deal in securities in a restricted trading window, the dealing in securities must then be approved by General Counsel of the Company.

Under the Policy, Relevant Persons are prohibited from entering into transactions using financial products that operate to limit the economic risk associated with holding vested and unvested Company securities. Further, all employees are prohibited from entering into margin loan arrangements to fund the acquisition of any of the Company's securities.

All employees are trained on the Securities Trading Policy upon commencing with the Company and annually thereafter. The Policy is accessible to staff on the Company intranet as well as on the Company's website.

Risk management and financial reporting

Risk management and identification
The Company has employed ongoing risk management processes in order to understand and effectively manage risk.

The Company has a Risk Committee, which is chaired by the Company's General Counsel (Melinda Harrison) and is comprised of all Executives. The Committee reports to the Audit & Risk Committee. The Risk Committee maintains a risk register that identifies the key risks facing the business and the status of initiatives implemented to manage them. This risk register is reviewed and updated on a regular basis.

The Audit & Risk Committee has responsibility for monitoring risk and reporting to the Board on the Company's risk management framework including:
- identifying, assessing, monitoring and managing risk; and
- any material changes to the group's risk profile.

The Company undertakes annual reviews of the risk management framework to ensure that it continues to be sound. The Company has undertaken a review of its risk management process in FY19.

The Board ensures that adequate external insurance cover is in place appropriate to the Company's size and risk profile.

Internal audit
During FY19, the Board considered and engaged an external advisor to assist the Company with its internal audit function.

Previously the Board considered that, due to the Company's size and business structure, the Company would not benefit from an internal audit function. However, given the expansion of the Company's operations in China, the Board considered it worthwhile to engage an external advisor to assist with the internal audit function of its China business. Doing so will bring a systematic, disciplined approach to evaluating the effectiveness of risk management in the Company's operations in China.

External auditor
The external auditor (PricewaterhouseCoopers) attended the Company's 2018 AGM and was available to answer questions. The Company has requested that PricewaterhouseCoopers (who remains the Company's external auditor) attend the Company's 2019 AGM and be available to answer questions.

Economic, environmental and social sustainability risks
Sustainability across all risk profiles is important for the long-term growth of the Company. The Company takes sustainability seriously and understands that sustainability is increasingly becoming important to its stakeholders. For the Company, sustainability risk management means embracing opportunities that may be created out of risks and managing business risks related to non-financial resources. During the financial year, the Company has reviewed its material exposure to economic, environmental and social sustainability risks. A detailed exploration of the Company's exposure to material economic risks is discussed in the operating financial review on pages 13 through 15 of this annual report.

With respect to environmental and social sustainability risks, the Company considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD**).[1] The Company does not have any material exposure to environmental and social sustainability risks. As the Company does not own or operate farms or operate directly in the agricultural industry, the Company is not materially exposed to any physical or transitional climate-related risks.[2] The Company mitigates its exposure to the physical climate-related risks facing the agricultural industry by engaging a diverse supply chain that spans across various countries. A diverse supply chain reduces the Company's reliance on a particular region's agricultural industry.

The Company is a signatory to the Australia Packaging Covenant, an organisation that aims to reduce the harmful impact of packaging on the environment. In addition to this, all of Bellamy's formula packaging is 100% recyclable.

For details on the Company's sustainability agenda, and an in depth discussion of the Company's position on sustainability as well as the various projects currently directed toward elevating the Company's sustainability, please refer to the Company's Sustainability Report at page 38 of this annual report.

While the Company does not have any material exposure to environmental and social sustainability risks, it is constantly reviewing this position in line with the Company's risk management framework.

Continuous Disclosure

The Company has a Continuous Disclosure Policy which establishes processes and procedures designed to ensure that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. The Continuous Disclosure Policy assists management and directors in understanding their obligations in relation to complying with the ASX Listing Rules.

Under the Continuous Disclosure Policy, the Company Secretary is nominated as the person with the primary responsibility for all communications with the ASX in relation to Listing Rule matters and the Board is responsible for managing the Company's compliance with its continuous disclosure obligations. The Policy also provides that the Chair of the Company, CEO, CFO and their delegates are authorised to speak on behalf of the Company to major investors and stockbroking analysts.

All disclosures made according to the continuous disclosure guidelines are disclosed to the ASX and published on the Investor Relations section of the Company's website. The Board ensures its compliance with continuous disclosure obligations by considering potential continuous disclosure issues at each Board meeting.

Communicating with shareholders

The Board has a Shareholder Communications Policy, which is designed to promote effective two-way communication with shareholders.

The Board ensures that shareholders are informed of all material information relating to the Company by communicating via:

- continuous disclosure to the ASX;
- media releases and publication of information on the Company's website; and
- through its annual and half year reports.

The Company provides shareholders with the option of communicating with the Company and the Company's share registry (Link Market Services Ltd) electronically. Shareholder's communication preferences can be updated at any time at the share registry's website. Additionally, the Company has a dedicated member of its investor team who works to provide prompt responses to shareholder inquiries.

At the AGM, the Board encourages the effective participation of shareholders in accordance with the Company's Shareholder Communications Policy. At the AGM, the Chair will provide time for questions and comments from shareholders.

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[1] The TCFD is an industry-led task force with the mission of developing voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. The Final Report of the TCFD is available online at: https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf.

[2] See pp. 5-6 ot the Final Report of the TCFD for a description of physical and transition climate-related risks, available online at: https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf.

Auditor's Independence Declaration

As lead auditor for the audit of Bellamy's Australia Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
27 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Bellamy's Australia Limited
Financial statements
30 June 2019

Financial Statements

	Note	Consolidated 2019 $'000	2018 $'000
Revenue			
Revenue	3	266,238	328,704
Cost of goods sold		(150,366)	(199,830)
Gross profit		115,872	128,874
Other income	4	1,007	582
Expenses			
Distribution and other direct costs		(30,893)	(21,074)
Employee benefits expense		(17,938)	(19,004)
Marketing and innovation costs		(21,293)	(14,578)
Administrative and other costs		(11,830)	(10,233)
Earnings before interest and tax, depreciation and amortisation (EBITDA)		34,925	64,567
Finance revenue		1,758	1,157
Finance expense	5	(9)	(230)
Depreciation and amortisation expense	5	(5,317)	(4,298)
Profit before income tax expense		31,357	61,196
Income tax expense	6	(9,694)	(18,380)
Profit after income tax expense for the year		21,663	42,816
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		103	45
Foreign currency translation		501	392
Other comprehensive income for the year, net of tax		604	437
Total comprehensive income for the year		22,267	43,253
Profit for the year is attributable to:			
Non-controlling interest		(451)	(451)
Owners of Bellamy's Australia Limited		22,114	43,267
		21,663	42,816
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(451)	(451)
Owners of Bellamy's Australia Limited		22,718	43,704
		22,267	43,253
		Cents	**Cents**
Basic earnings per share	33	19.51	39.61
Diluted earnings per share	33	18.54	37.59

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Bellamy's Australia Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	7	112,355	87,634
Trade and other receivables	8	43,689	49,225
Inventories	9	96,018	90,453
Other	10	4,949	2,840
Total current assets		257,011	230,152
Non-current assets			
Property, plant and equipment	11	5,808	3,784
Intangibles	12	39,704	40,079
Deferred tax	13	7,141	6,798
Total non-current assets		52,653	50,661
Total assets		309,664	280,813
Liabilities			
Current liabilities			
Trade and other payables	14	72,964	69,108
Borrowings	15	65	62
Derivative financial instruments	16	108	232
Income tax		2,000	2,344
Employee benefits		735	563
Provisions	17	1,430	1,100
Total current liabilities		77,302	73,409
Non-current liabilities			
Employee benefits		67	45
Total non-current liabilities		67	45
Total liabilities		77,369	73,454
Net assets		232,295	207,359
Equity			
Issued capital	18	120,870	120,870
Reserves	19	14,687	11,414
Retained profits		97,210	75,096
Equity attributable to the owners of Bellamy's Australia Limited		232,767	207,380
Non-controlling interest		(472)	(21)
Total equity		232,295	207,359

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	53,795	5,637	31,829	-	91,261
Profit/(loss) after income tax expense for the year	-	-	43,267	(451)	42,816
Other comprehensive income for the year, net of tax	-	437	-	-	437
Total comprehensive income for the year	-	437	43,267	(451)	43,253
Non-controlling interest on acquisition of Camperdown	-	-	-	430	430
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 18)	67,075	-	-	-	67,075
Share-based payments (note 34)	-	5,340	-	-	5,340
Balance at 30 June 2018	120,870	11,414	75,096	(21)	207,359

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	120,870	11,414	75,096	(21)	207,359
Profit/(loss) after income tax expense for the year	-	-	22,114	(451)	21,663
Other comprehensive income for the year, net of tax	-	604	-	-	604
Total comprehensive income for the year	-	604	22,114	(451)	22,267
Transactions with owners in their capacity as owners:					
Share-based payments (note 34)	-	2,669	-	-	2,669
Balance at 30 June 2019	120,870	14,687	97,210	(472)	232,295

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before income tax expense for the year		31,357	61,196
Adjustments for:			
Depreciation and amortisation		5,317	4,298
Share-based payments		2,669	5,340
Foreign exchange differences		478	949
Inventory provision movements		(3,441)	4,499
Bad debt provision movement		-	16
Finance income		(1,758)	(861)
Finance costs paid		9	-
		34,631	75,437
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		5,561	(12,275)
Increase in inventories		(2,124)	(1,455)
Decrease in income tax refund due		-	274
Increase in prepayments		(1,993)	(697)
Increase in trade and other payables		3,841	24,560
Decrease in derivative liabilities		(21)	-
Increase in employee benefits		194	250
Increase/(decrease) in other provisions		330	(900)
		40,419	85,194
Finance income		1,617	861
Finance costs paid		(9)	-
Income taxes paid		(10,343)	(17,080)
Net cash from operating activities		31,684	68,975
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	30	-	(10,453)
Payments for property, plant and equipment	11	(3,340)	(2,028)
Payments for intangibles	12	(3,626)	(6,234)
Net cash used in investing activities		(6,966)	(18,715)
Cash flows from financing activities			
Proceeds from issue of shares	18	-	45,097
Movements in borrowings		3	-
Repayment of borrowings		-	(25,202)
Net cash from financing activities		3	19,895
Net increase in cash and cash equivalents		24,721	70,155
Cash and cash equivalents at the beginning of the financial year		87,634	17,479
Cash and cash equivalents at the end of the financial year	7	112,355	87,634

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Bellamy's Australia Limited as a Group consisting of Bellamy's Australia Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (together are referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Bellamy's Australia Limited's functional and presentation currency.

Bellamy's Australia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

115 Cimitiere Street
Launceston TAS 7250

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2019. The Directors have the power to amend and reissue the financial statements.

Note 2. Operating segments

Identification of reportable operating segments
The Group is organised into three operating segments: Australia Sales, Overseas Sales and Australia Manufacturing. These operating segments are based on the internal reports that are reviewed and used by the Executive and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews normalised EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and one-off items. The one-off item for 2019 and 2018 relates to the write-off of legacy inventory required to transition to Country of Origin (CoOL) laws in Australia and as a result of changes in Chinese regulations. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Australia Sales	Revenues derived from sales to retailers and other resellers within Australia;
Overseas Sales	Revenue derived from sales to distributors and online customers overseas; and
Australia Manufacturing	Manufacturing of formula and other powders.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Major customers
In the Australia Sales segment one customer purchased $86,997,000, representing 33% of total revenue (30 June 2018: $68,949,000, 21%). No other single customers represent greater than 10% of revenue (30 June 2018: one customer in the Overseas Sales segment $82,003,000 25%).

Note 2. Operating segments (continued)

Operating segment information

	Consolidated 2019 Revenue $'000	Consolidated 2019 EBITDA $'000	Consolidated 2018 Revenue $'000	Consolidated 2018 EBITDA $'000
Australia Sales	182,564	30,738	224,118	48,211
Overseas Sales	68,409	22,160	95,887	31,315
Australia Manufacturing*	15,265	32	8,699	(1,408)
	266,238	52,930	328,704	78,118
Segment EBITDA		52,930		78,118
Corporate costs		(6,005)		(7,578)
Normalised EBITDA		46,925		70,540
One-off write-off of legacy inventory		(12,000)		(5,973)
EBITDA		34,925		64,567
Depreciation and amortisation		(5,317)		(4,298)
Net finance income		1,749		927
Profit before income tax expense		31,357		61,196
Income tax expense		(9,694)		(18,380)
Profit after income tax expense		21,663		42,816

* FY18 total Australia Manufacturing segment costs were adjusted to reflect only costs that related to external sales of $10,107,000. The opposite side of the cost adjustment is recognised in the Australia Sales segment.

Operating segment information

Consolidated - 2019	Australia Sales $'000	Overseas Sales $'000	Australia Manu-facturing $'000	Eliminations $'000	Total $'000
Assets					
Segment assets	132,516	8,967	48,685	-	190,168
Unallocated assets:					
Cash and cash equivalents					112,355
Deferred tax asset					7,141
Total assets					309,664
Liabilities					
Segment liabilities	49,465	7,690	17,239	-	74,394
Unallocated liabilities:					
Borrowings					65
Derivative financial instruments					108
Current tax liabilities					2,000
Employee benefits					802
Total liabilities					77,369

Note 2. Operating segments (continued)

Consolidated - 2018	Australia Sales $'000	Overseas Sales $'000	Australia Manu-facturing $'000	Eliminations $'000	Total $'000
Assets					
Segment assets	138,527	7,738	40,116	-	186,381
Unallocated assets:					
Cash and cash equivalents					87,634
Deferred tax asset					6,798
Total assets					280,813
Liabilities					
Segment liabilities	56,966	4,842	8,400	-	70,208
Unallocated liabilities:					
Borrowings					62
Derivative financial instruments					232
Current tax liabilities					2,344
Employee benefits					608
Total liabilities					73,454

Note 3. Revenue from contracts with customers

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolid-ated 2019 $'000
Major product lines	
Formula and Food	250,973
Manufacturing	15,265
	266,238
Geographical regions	
Australia	197,829
Overseas	68,409
	266,238
Timing of revenue recognition	
Goods transferred at a point in time	266,238

Disaggregation of revenue disclosures are required by AASB 15. As AASB 15 was adopted using the modified retrospective approach, comparatives have not been provided.

Note 3. Revenue from contracts with customers (continued)

Accounting policy for revenue
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; and determines the transaction price and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery or when the Group has satisfied its performance obligations, including clearance at China Inspection and Quarantine ('CIQ') or customs.

Note 4. Other income

	Consolidated	
	2019 $'000	2018 $'000
Net foreign exchange gain	79	44
Sundry income	928	538
Other income	1,007	582

Note 5. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax includes the following specific expenses:		
Cost of sales		
Shortfall payments	2,900	3,289
Depreciation		
Leasehold improvements	157	85
Plant and equipment	1,159	613
Total depreciation	1,316	698
Amortisation		
Licences and customer contracts	2,880	2,900
Other intangibles	1,121	700
Total amortisation	4,001	3,600
Total depreciation and amortisation	5,317	4,298
Finance costs		
Finance costs paid/payable	9	230
Superannuation expense		
Defined contribution superannuation expense	924	644
Share-based payments expense		
Share-based payments expense	2,669	4,053

Note 6. Income tax expense

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense		
Current tax	10,074	19,634
Deferred tax - origination and reversal of temporary differences	(380)	(1,254)
Aggregate income tax expense	9,694	18,380
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 13)	(380)	(1,254)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	31,357	61,196
Tax at the statutory tax rate of 30%	9,407	18,359
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	4	3
Share-based payments	758	(191)
Non-deductible expenditure	1	90
Sundry items	(86)	(21)
	10,084	18,240
Current tax for prior periods	208	291
Difference in overseas tax rates	(488)	(711)
Impact of controlled foreign company rules	(110)	560
Income tax expense	9,694	18,380

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 13)	37	(1,838)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses - capital	201	201
Total deferred tax assets not recognised	201	201

The above potential tax benefit, which excludes tax losses for deductible temporary differences, has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 6. Income tax expense (continued)

Accounting policy for income tax
The income tax expense for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Bellamy's Australia Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Critical accounting judgements, estimates and assumptions

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 6. Income tax expense (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash at bank	45,126	40,632
Cash on deposit	67,229	47,002
	112,355	87,634

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Current assets - trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables	41,514	43,856
Less: Allowance for expected credit losses	(116)	(116)
	41,398	43,740
Other receivables	1,737	4,417
Goods and services tax recoverable	554	1,068
	43,689	49,225

Allowance for expected credit losses
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Not overdue	0.460%	0.265%	25,214	43,789	116	116
1 to 30 days overdue	-	-	14,159	-	-	-
31 to 60 days overdue	-	-	-	71	-	-
61 to 120 days overdue	-	-	43	(4)	-	-
Over 120 days overdue*	-	-	2,098	-	-	-
			41,514	43,856	116	116

* Subsequently received in July 2019 in full.

Note 8. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Opening balance	116	100
Additional provisions recognised	-	16
Closing balance	116	116

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost less any allowance for expected credit losses.

A default on a financial asset is when the counterparty fails to make contracted payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, they are recognised in profit or loss.

Note 9. Current assets - inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Raw materials - at cost	47,059	20,142
Work in progress - at cost	8	167
Finished goods - at cost	47,975	66,952
Stock in transit - at cost	7,539	13,196
Less: Inventory provision	(6,563)	(10,004)
	96,018	90,453

Accounting policy for inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 9. Current assets - inventories (continued)

Critical accounting judgements, estimates and assumptions

Provision for impairment of inventories
Inventory values are stated net of provision of $6,563,000 (30 June 2018: $10,004,000). The provision for inventory write-down resulted from the transition to SAMR registered products in China and CoOL compliant labelling in Australia.

The valuation of inventory is considered an area of significant judgement. Inventory is valued at lower of cost or net realisable value. The value is dependent on the revenue forecasts and the estimated impact of regulatory change. Should revenue forecasts not be achieved or the regulatory impact differs from that estimated, the net realisable value of inventory as assessed at 30 June 2019 may be impacted.

Note 10. Current assets - other

	Consolidated	
	2019 $'000	2018 $'000
Prepayments	4,741	2,748
Security deposits	208	92
	4,949	2,840

Note 11. Non-current assets - property, plant and equipment

	Consolidated	
	2019 $'000	2018 $'000
Leasehold improvements - at cost	679	541
Less: Accumulated depreciation	(351)	(194)
	328	347
Plant and equipment - at cost	8,586	5,384
Less: Accumulated depreciation	(3,106)	(1,947)
	5,480	3,437
	5,808	3,784

Note 11. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	*Leasehold improve-ments $'000*	*Plant and equipment $'000*	*Total $'000*
Balance at 1 July 2017	261	746	1,007
Additions through business combinations (note 30)	-	1,527	1,527
Additions - purchased	171	1,857	2,028
Disposals	-	(80)	(80)
Depreciation expense	(85)	(613)	(698)
Balance at 30 June 2018	347	3,437	3,784
Additions - purchased	138	3,202	3,340
Depreciation expense	(157)	(1,159)	(1,316)
Balance at 30 June 2019	328	5,480	5,808

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Life of lease
Plant and equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 12. Non-current assets - intangibles

	Consolidated	
	2019 $'000	**2018 $'000**
Goodwill - at valuation	28,239	28,239
Production access rights - at cost	5,500	5,500
Licences and customer contracts - at cost	8,800	6,800
Less: Accumulated amortisation	(5,780)	(2,900)
	3,020	3,900
Other intangibles - at cost	5,323	3,140
Less: Accumulated amortisation	(2,378)	(700)
	2,945	2,440
	39,704	40,079

Note 12. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Production access rights $'000	Licences and customer contracts $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2017	-	-	-	1,740	1,740
Additions through business combinations (note 30)	28,239	-	6,800	-	35,039
Additions	-	5,500	-	1,400	6,900
Amortisation expense	-	-	(2,900)	(700)	(3,600)
Balance at 30 June 2018	28,239	5,500	3,900	2,440	40,079
Additions	-	-	2,000	1,626	3,626
Amortisation expense	-	-	(2,880)	(1,121)	(4,001)
Balance at 30 June 2019	28,239	5,500	3,020	2,945	39,704

Impairment testing
Goodwill and some intangibles have been allocated to the Camperdown CGU for the purpose of impairment testing. The allocation of intangibles for Camperdown at 30 June 2019 include the following:

Camperdown	2019 $'000	2018 $'000
Goodwill	28,239	28,239
Intangibles - licences	-	1,800
Intangibles - customer contracts	1,020	2,200

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 35. The recoverable amounts of cash-generating units have been determined based on fair value less costs to dispose calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 12. Non-current assets - intangibles (continued)

Impairment of non-financial assets other than goodwill
The Group assesses impairment of non-financial assets other than goodwill and other intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Production access rights
Production access rights acquired under contract provides the Group with first access rights to a Tasmanian organic fresh milk pool. These are shown at historical cost and will be amortised in line with usage in production over 5 years, based on the length of the contract.

Licences and customer contracts
Licences and customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of:
Licences - 2 years; and
Customer contracts - duration of contract.

Other intangibles
Other intangibles consist of software, trademarks and product development costs.

Software
Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design, testing and implementation of identifiable software products controlled by the Group are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised software costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Trademarks
Separately registered trademarks are amortised on the straight-line basis over 10 years.

Product research and development
Research costs are expensed in the period in which they are incurred. Project development costs are capitalised when it is probable that the project will be successful considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised project development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Critical accounting judgements, estimates and assumptions

The Camperdown CGU manufacturing facility holds a GACC licence which will require renewal in December 2019. The facility also has a SAMR licence for the manufacture of third party product. The SAMR application for the Bellamy's Chinese-label Organic product was submitted in December 2017 and the Group is awaiting approval.

The recoverable amount of the CGU is determined based on fair value less costs to dispose ('FVLCD'). In evaluating the fair value, the Group has considered other recent market transactions for comparable canning facilities with a GACC licence.

In addition to this, the Group has also prepared a fair value model based on cash flow projections over a 10 year period, using a discount rate approximating a pre-tax discount rate of 15%, determined to be applicable to manufacturing/canning facilities involved in the infant formula manufacturing industry. Cashflows in the model relate to current manufacturing contracts and assumed future volumes of Bellamy's Chinese-label Organic product.

Note 12. Non-current assets - intangibles (continued)

The fair value model assumes the following key judgements and estimates:
- risk adjusted cash flows for estimated production volumes for Bellamy's Chinese-label organic product, assuming successful SAMR registration. The cash flows are based on the Group's assessment of timing of SAMR registration and estimated sales based on a premium price in comparison to Australian-label production; and
- current licences and registrations are maintained over a period of 10 years.

The Group remains confident that the application for SAMR registration for Bellamy's Chinese-label organic product will be successful. However, if the assessment of risk associated with the cash flows for Bellamy's Chinese-label product changes or the application is rejected this will trigger the requirement for the Group to assess the carrying value of the CGU.

Note 13. Non-current assets - deferred tax

	Consolidated	
	2019	2018
	$'000	$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	4,298	3,284
Employee benefits	242	195
Foreign exchange losses	34	26
Inventories	1,461	2,197
Other liabilities	(2,402)	(3,279)
Overseas operating losses	213	270
Share-based payments	1,707	1,820
Other assets and liabilities	1,127	1,509
Capital raising costs	498	-
	7,178	6,022
Amounts recognised in equity:		
Capital raising costs	(37)	776
Deferred tax asset	7,141	6,798
Movements:		
Opening balance	6,798	3,537
Credited to profit or loss (note 6)	380	1,254
Credited/(charged) to equity (note 6)	(37)	1,838
Additions through business combinations (note 30)	-	169
Closing balance	7,141	6,798

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Trade payables	55,684	52,870
Accruals	17,154	16,212
Other payables	126	26
	72,964	69,108

Note 14. Current liabilities – trade and other payables (continued)

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Current liabilities - borrowings

	Consolidated	
	2019	2018
	$'000	$'000
Credit card facility	65	62

Refer to note 21 for further information on financial instruments.

Total secured liabilities
The total secured current liabilities are as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Credit card facility	65	62

Assets pledged as security
HSBC provides a working capital facility to the Group in an aggregate amount of $40,000,000, together with a credit card facility of $350,000 and a bank guarantee facility of $200,000 (together, the 'facilities'). The working capital facility is comprised of several sub-facilities with specific conditions and limits, with the effect that the Group's ability to utilise the working capital facility is subject to those conditions being satisfied and those limits not being exceeded. The facilities are secured over assets of the Group and are subject to the Group complying with its obligations (including financial covenants) under those facilities. At 30 June 2019, the Group was in compliance with its obligations under those facilities. Based on current forecasts, the Group expects that the Group will remain in compliance with those obligations. Subject to the terms of its manufacturing agreement, Fonterra has a second-ranking security over the assets of the Group. In February 2019, the facility was extended for a further 2 years.

Note 15. Current liabilities - borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total facilities		
Working capital facility	40,000	40,000
Credit card facility	350	250
Bank guarantee facility	200	200
	40,550	40,450
Used at the reporting date		
Working capital facility	-	-
Credit card facility	65	62
Bank guarantee facility	-	-
	65	62
Unused at the reporting date		
Working capital facility	40,000	40,000
Credit card facility	285	188
Bank guarantee facility	200	200
	40,485	40,388

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 16. Current liabilities - derivative financial instruments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Forward foreign exchange contracts - cash flow hedges	108	232

Refer to note 21 for further information on financial instruments.

Refer to note 22 for further information on fair value measurement.

Accounting policy for derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 16. Current liabilities - derivative financial instruments (continued)

Cash flow hedges
Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of a net investment
Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Note 17. Current liabilities - provisions

	Consolidated	
	2019	2018
	$'000	$'000
Minimum annual volume provision	1,430	1,100

Minimum annual volume provision
The Group has two material manufacturing agreements that guarantee long-term access to the highest quality production facilities in Australia. The Group has not recorded these contractual rights as contingent assets. The two manufacturing arrangements have minimum volume commitments which run for a number of years. Where the Group is not able to fulfil minimum volume commitments, it is required to make production shortfall payments. Some contracts provide for rebates for exceeding specified volumes. Rebates are recorded in inventory in accordance with the relevant accounting standard.

The minimum volume commitments are based on the contract year (which differs from the Group’s financial year). At each reporting period, a provision is raised when production thresholds have not been met or the Group does not have the ability to meet the threshold under the contractual terms.

The Group has also entered ingredient supply contracts with minimum volume commitments which are accounted for in the same way as manufacturing volume commitments.

Note 17. Current liabilities - provisions (continued)

Movements in provisions
Movements in the provision during the current financial year are set out below:

Consolidated - 2019	*Minimum annual volume provision $'000*
Carrying amount at the start of the year	1,100
Additional provisions recognised	2,800
Amounts used	(2,470)
Carrying amount at the end of the year	1,430

Note 18. Equity - issued capital

	Consolidated 2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	113,368,297	113,316,104	120,870	120,870

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2017	99,679,345	53,795
Issue of shares to retail investors	6 July 2017	9,738,250	46,257
Issue of shares on purchase of subsidiary, Camperdown	11 October 2017	3,190,042	21,612
Issue of shares on employee options exercised		708,467	366
Issue of shares on institutional investment offer		-	(1,160)
Balance	30 June 2018	113,316,104	120,870
Issue of shares on employee options exercised		52,193	-
Balance	30 June 2019	113,368,297	120,870

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Share buy-back
There is no current on-market share buy-back.

Note 19. Equity - reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency translation reserve	74	(427)
Hedging reserve - cash flow hedges	124	21
Share-based payments reserve	14,489	11,820
	14,687	11,414

Foreign currency translation reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	*Foreign currency translation reserve $'000*	*Cash flow hedge reserve $'000*	*Share-based payments reserve $'000*	*Total $'000*
Balance at 1 July 2017	(819)	(24)	6,480	5,637
Foreign currency translation	392	-	-	392
Net investment hedge	-	45	-	45
Share-based payments	-	-	5,340	5,340
Balance at 30 June 2018	(427)	21	11,820	11,414
Foreign currency translation	501	-	-	501
Net investment hedge	-	103	-	103
Share-based payments	-	-	2,669	2,669
Balance at 30 June 2019	74	124	14,489	14,687

Note 20. Equity - dividends

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. Equity - dividends (continued)

Franking credits

	Consolidated	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	44,851,118	35,100,144

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a regular basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge up to 100% of anticipated foreign currency transactions for the subsequent 6 months.

Note 21. Financial instruments (continued)

The maturity, settlement amounts and the average contractual exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	2019 $'000	2018 $'000	2019	2018
Buy US dollars				
Maturity:				
0 - 12 months	4,045	1,300	0.6962	0.7385
Buy Euros				
Maturity:				
0 - 12 months	-	10,921	-	0.6238
Buy Pound Sterling				
Maturity:				
0 - 3 months	911	-	0.5452	-
Buy Chinese Yuan				
Maturity:				
0 - 12 months	-	7,100	-	4.9006

Derivative financial instruments – foreign exchange forward contracts

	Maturity date	*Carrying amount $*	*Notional amount $*	*Hedge ratio**	*Change in fair value of outstanding hedging instruments since 1 July $*	*Change in value of hedged item used to determine hedge effectiveness $*	*Weighted average hedged rate for the year*
2019							
USD	Jul 19 - Dec 19	(58)	5,827	1:1	(76)	76	0.6943
GBP	Jul 19 - Sep 19	(25)	1,671	1:1	(43)	43	0.5451

	Maturity date	*Carrying amount $*	*Notional amount $*	*Hedge ratio**	*Change in fair value of outstanding hedging instruments since 1 July $*	*Change in value of hedged item used to determine hedge effectiveness $*	*Weighted average hedged rate for the year*
2018							
USD	Aug 18	1	1,760	1:1	(11)	11	0.7464
Euros	Jul 18 - Aug 18	230	17,454	1:1	(3)	3	0.6251
Chinese Yuan	Sep 18	1	425	1:1	(7)	7	4.8445

Note 21. Financial instruments (continued)

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

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

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group is not exposed to any significant interest rate risk.

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.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2019 $'000	2018 $'000
Working capital facility	40,000	40,000
Credit card facility	285	188
Bank guarantee facility	200	200
	40,485	40,388

Note 21. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	55,684	-	-	-	55,684
Other payables	-	126	-	-	-	126
Interest-bearing - variable						
Credit card	-	65	-	-	-	65
Total non-derivatives		55,875	-	-	-	55,875
Derivatives						
Forward foreign exchange contracts net settled	-	108	-	-	-	108
Total derivatives		108	-	-	-	108

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	52,870	-	-	-	52,870
Other payables	-	26	-	-	-	26
Interest-bearing - variable						
Credit card	-	62	-	-	-	62
Total non-derivatives		52,958	-	-	-	52,958
Derivatives						
Forward foreign exchange contracts net settled	-	232	-	-	-	232
Total derivatives		232	-	-	-	232

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 22. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Foreign exchange contracts	-	108	-	108
Total liabilities	-	108	-	108

Consolidated - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Foreign exchange contracts	-	232	-	232
Total liabilities	-	232	-	232

There were no transfers between levels during the financial year.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and its network firms:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	337,000	345,000
Other services - PricewaterhouseCoopers		
Other audit, tax and compliance related services	7,140	-
	344,140	345,000
Audit services - network firms		
Audit or review of the financial statements	73,000	70,000
Other services - network firms		
Other tax and compliance services	1,024	7,531
	74,024	77,531

Note 24. Contingent assets

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

Note 25. Contingent liabilities

Shareholder class action
On 23 February 2017 and 8 March 2017 Slater & Gordon Limited and Maurice Blackburn (respectively) each commenced a representative proceeding (shareholder class action) in the Federal Court of Australia against the Group. The statement of claim includes allegations of contraventions of the Corporations Act 2001 (Cth) in relation to continuous disclosure obligations and misleading or deceptive conduct.

The proceedings have, to date, mostly been consumed with procedural issues including the discovery process. The Group will continue to vigorously defend the proceedings. It is too early in the process to assess these claims to provide a reliable assessment of the quantum of any damages that may become payable if its defence is unsuccessful in whole or in part.

Note 26. Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	309	382
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,237	881
One to five years	1,756	1,640
More than five years	902	-
	3,895	2,521

Note 26. Commitments (continued)

Operating lease commitments includes contracted amounts for various premises under non-cancellable operating leases expiring within 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Shortfall payments
As detailed in note 17, the Group has two material manufacturing agreements that guarantee long-term access to the highest quality production facilities in Australia, which have minimum volume commitments. Where the Group is not able to fulfil minimum volume commitments, it is required to make production shortfall payments.

The Group has also entered ingredient supply contracts with minimum volume commitments which are accounted for in the same way as manufacturing volume commitments.

In FY19, an expense of $2,900,000 (FY18: $3,289,000) has been recognised in cost of goods sold as a shortfall expense, for which there is a provision of $1,430,000 (FY18: $1,100,000) in relation to contract year 2019 of a manufacturing agreement. In FY20 if production levels drop when compared to FY19, a higher expense may be incurred. Beyond FY20 shortfall payments and the related expense may continue over the term of the contacts and could increase or decrease depending on the level of production.

Note 27. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	2,926,041	3,259,227
Post-employment benefits	137,710	131,977
Long-term benefits	12,203	7,101
Share-based payments	2,530,071	2,870,148
	5,606,025	6,268,453

Note 28. Related party transactions

Parent entity
Bellamy's Australia Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Balances and transactions between the Group and its controlled entities, which are related parties of the Group, 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.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 28. Related party transactions (continued)

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Profit after income tax	5,833	23,841
Total comprehensive income	5,833	23,841

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	168,851	160,420
Total assets	171,097	163,046
Total current liabilities	1,421	1,872
Total liabilities	1,421	1,872
Equity		
Issued capital	120,870	120,870
Share-based payments reserve	14,489	11,820
Retained profits	34,317	28,484
Total equity	169,676	161,174

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has entered into a deed of cross guarantee with a subsidiary in relation to the debts of its subsidiary. Further details are in note 32.

Contingent liabilities
The parent entity had a contingent liability as detailed in note 25.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 35, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 30. Business combinations

2018
On 3 July 2017, the Group acquired 90% ownership in A.C.N. 619 661 611 Pty Ltd, incorporated on 9 June 2017, which owns 100% of the issued capital of Camperdown Powder Pty Ltd (ABN 56 168 982 250).

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	47
Trade and other receivables	567
Inventories	454
Other current assets	56
Plant and equipment	1,527
Production access rights	6,800
Deferred tax asset	2,269
Trade and other payables	(5,256)
Deferred tax liability	(2,100)
Provisions	(61)
Net assets acquired	4,303
Goodwill	28,239
Acquisition-date fair value of the total consideration transferred	32,542
Representing:	
Cash paid or payable to vendor	10,500
Bellamy's Australia Limited shares issued to vendor	21,612
Non-controlling interest	430
	32,542

Details of the net cash used for cash flow purposes are as follows:

	Consolidated 2019 $'000	2018 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	32,542
Less: cash and cash equivalents	-	(47)
Less: shares issued by Company as part of consideration	-	(21,612)
Less: non-controlling interest	-	(430)
Net cash used	-	10,453

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 30. Business combinations (continued)

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Critical accounting judgements, estimates and assumptions

Business combinations
As previously discussed, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 35:

			Parent		Non-controlling interest	
Name	Company number	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
Bellamy's Organic Pty Ltd (a)	125 461 903	Australia	100%	100%	-	-
Bellamy's Kitchen Pty Ltd	*	Australia	-	100%	-	100%
Yum Mum Pty Ltd (d)	148 896 280	Australia	100%	100%	-	-
Bellamy's Organic (South East Asia) Pte Ltd (a)	201205554M	Singapore	100%	100%	-	-
A.C.N. 619 661 611 Pty Ltd (b)	619 661 611	Australia	90%	90%	10%	10%
Camperdown Powder Pty Ltd (c)	168 982 250	Australia	100%	100%	-	-
Little Treasure (Aust) Pty Ltd (e)	103 217 232	Australia	50%	50%	50%	50%
Camperdown Leura Star Brands Pty Ltd (e)	610 595 803	Australia	51%	51%	49%	49%
Duri Brands Pty Ltd	**	Australia	-	51%	-	49%
Bellamy's Organic (Hong Kong) Company Ltd (a)	CRN 1795740	Hong Kong	100%	100%	-	-
Bellamy's Food Trading (Shanghai) Co Ltd (a)	310000400709335	China	100%	100%	-	-

* Bellamy's Kitchen Pty Ltd was deregistered with ASIC on 30 January 2019
** Duri Brands Pty Ltd was deregistered with ASIC on 20 March 2019

Principal activities:
(a) Sale and distribution of organic food and formula products for babies and toddlers
(b) Investment vehicle
(c) Manufacturing powdered milk products
(d) Non-operating
(e) Brand and trademark ownership entity

The following entities have financial reporting periods that are not synchronised with the parent entity. The financial reporting year ends with respect to these entities are:

Note 31. Interests in subsidiaries (continued)

Name	*Reporting year end*
Bellamy's Organic (Hong Kong) Company Ltd	31 December
Bellamy's Food Trading (Shanghai) Co Ltd	31 December
Bellamy's Organic (South East Asia) Pte Ltd	31 March

Note 32. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Bellamy's Australia Limited
Bellamy's Organic Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, 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'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2019 $'000	2018 $'000
Revenue	240,426	311,629
Cost of goods sold	(145,434)	(196,773)
Intercompany dividend	-	25,648
Distribution and other direct costs	(24,141)	(17,757)
Employee benefits expense	(12,888)	(14,839)
Marketing and innovation costs	(5,031)	(7,396)
Administrative and other costs	(8,649)	(8,270)
International service fee	(11,962)	(5,408)
Earnings before interest and tax, depreciation and amortisation (EBITDA)	32,321	86,834
Finance revenue	4,346	2,627
Depreciation and amortisation expense	(1,411)	(963)
Profit before income tax expense	35,256	88,498
Income tax expense	(11,438)	(19,700)
Profit after income tax expense	23,818	68,798
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	23,818	68,798

Note 32. Deed of cross guarantee (continued)

Equity - retained profits	2019 $'000	2018 $'000
Retained profits at the beginning of the financial year	72,653	3,855
Profit after income tax expense	23,818	68,798
Retained profits at the end of the financial year	96,471	72,653

Statement of financial position	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	97,122	82,517
Trade and other receivables	42,124	48,505
Inventories	84,067	82,889
Loans to related entities	12,700	7,358
Other	2,845	2,346
	238,858	223,615
Non-current assets		
Receivables	35,518	33,520
Investments accounted for using the equity method	2	2
Property, plant and equipment	1,025	935
Intangibles	10,110	7,888
Deferred tax	2,093	4,005
	48,748	46,350
Total assets	287,606	269,965
Current liabilities		
Trade and other payables	52,173	61,065
Borrowings	65	63
Derivative financial instruments	108	232
Income tax	1,214	1,639
Provisions	2,025	1,556
	55,585	64,555
Non-current liabilities		
Provisions	67	46
	67	46
Total liabilities	55,652	64,601
Net assets	231,954	205,364
Equity		
Issued capital	120,870	120,870
Reserves	14,613	11,841
Retained profits	96,471	72,653
Total equity	231,954	205,364

Note 33. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax	21,663	42,816
Non-controlling interest	451	451
Profit after income tax attributable to the owners of Bellamy's Australia Limited	22,114	43,267

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	113,357,858	109,230,834
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	5,917,196	5,883,159
Weighted average number of ordinary shares used in calculating diluted earnings per share	119,275,054	115,113,993

	Cents	Cents
Basic earnings per share	19.51	39.61
Diluted earnings per share	18.54	37.59

The calculation does not include 300,000 ordinary shares to be issued to the vendors of Camperdown Powder Pty Ltd when conditions subsequent have been achieved.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Bellamy's Australia Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 34. Share-based payments

Employee Option Plan
The Chief Executive Officer and other senior management held, as part of their remuneration, conditional vesting options over 5,917,196 (2018: 5,883,159) ordinary shares of the Group comprising the:
- 2016 year grants made on 23 December 2015, and 30 June 2016;
- 2017 year grants made on 3 October 2016, and 13 June 2017;
- 2018 grants made on 2 October 2017 and 20 April 2018; and
- 2019 grants made on 28 August 2018, 24 October 2018 and 2 January 2019.

FY16 grant
The exercise price for the FY16 grant of options is $4.87 (adjusted). The options vested in full in September 2018. These options expire five years after the grant date, which should be no later than 23 December 2020.

Note 34. Share-based payments (continued)

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.

FY17 grant
The exercise price for the FY17 grant of options is $14.04 (adjusted). The options can only be exercised if specific performance hurdles are met.

Additional grant on 13 June 2017
The exercise price for the subsequent grant of options is $5.643. The options can only be exercised if specific performance hurdles are met.

FY18 grant
The exercise price for the FY18 grant of options are as follows:
- 2 October 2017 grant - $7.82
- 20 April 2018 grant - $20.56

The options can only be exercised if specific performance hurdles are met.

FY19 grant
The exercise price for the FY19 grant of options are as follows:
- 28 August 2018 grant - $9.67
- 24 October 2018 grant - $11.19
- 2 January 2019 grant - $7.38

The options can only be exercised if specific performance hurdles are met.

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees and directors. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised over the remaining vesting period for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 34. Share-based payments (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 35. Other significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group early adopted AASB 9 'Financial Instruments' at 30 June 2017 as detailed in the 2017 Annual Report.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of the adoption on opening retained earnings as at 1 July 2018.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 (Cth) ('Corporations Act'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method allowed by AASB 107, and prior year comparatives have been represented to ensure consistent accounting treatment.

Note 35. Other significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bellamy's Australia Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 entities in the Group 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars which is Bellamy's Australia Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 35. Other significant accounting policies (continued)

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Impairment of non-financial assets

Goodwill and other 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 non-financial 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 35. Other significant accounting policies (continued)

Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 ('ASIC Instrument'), relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases
AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of $3,895,000, see note 26. Of these commitments, nil relates to short-term or low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise on 1 July 2019, right-of-use assets of approximately $3,390,000, lease liabilities of $3,523,000 and deferred tax assets of nil.

Note 35. Other significant accounting policies (continued)

The Group expects that net profit after tax will decrease by approximately $25,166 for 2020 as a result of adopting the new rules. Operating EBITDA used to measure the results is expected to increase by approximately $1,102,000 as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately $1,054,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies.

The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001 (Cth) ('Corporations Act'), the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 35 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;

- 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

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 32 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act.

On behalf of the Directors

John Ho
Chairman

John Murphy
Deputy Chairman

27 August 2019
Melbourne

Independent auditor's report

To the members of Bellamy's Australia Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Bellamy's Australia Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

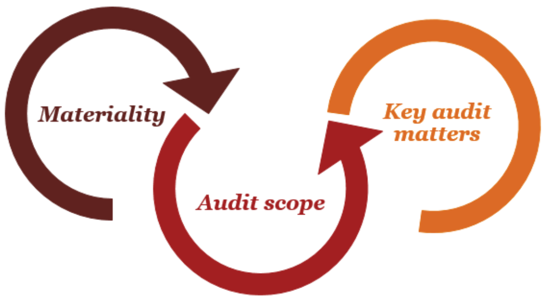
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $1.6 million, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The scope of our audit procedures included an audit of the financial information of the Group's Australian Sales operating segment, given its financial significance to the Group. • We also performed specific risk- based procedures over the operations in Singapore, China and Camperdown.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation of goodwill – Valuation of inventory – Accounting for shortfall provisions • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of goodwill *Refer to note 12* At 30 June 2019, the Group held intangible assets, including goodwill of $28.2 million. Under Australian Accounting Standards, the Group is required to assess indefinite life intangible assets for impairment annually. In FY19 the Group identified Camperdown as a cash generating unit (CGU). The Group performed an impairment assessment for the CGU by calculating the fair value less costs of disposal. The Group assessed the fair value by considering the value a third party would attribute to the business, using both external and internal sources. The Group considered recent external market transactions for comparable canning facilities. In addition, the Group considered cash flow projections for a 10 year period. The cash flow forecasts include the market values for canning contracts which would be applicable for a facility with licences to export to China under the State Administration for Market Regulation (SAMR). These cash flows were risk adjusted and discounted to determine a fair value. The Group did not identify any impairment for the CGU. We considered the carrying value of goodwill as a key audit matter as the balance is material and significant judgement is required by the Group in estimating the fair value less cost of disposal. This included considering key judgements such as the: • SAMR licence • production volumes • sales value per tin attributed to the canning process.	We performed the following procedures amongst others: • We assessed the allocation of assets and liabilities for the CGUs and were satisfied they were directly attributable to the Camperdown CGU. • We assessed external market transactions for canning facilities within the last year and compared the production capacity of the facilities and the sales value for the market transactions with the production capacity and carrying value of the Camperdown CGU. To evaluate the cash flows included in the fair value model (the model) we performed the following procedures, amongst others: - Tested the mathematical accuracy of the calculations in the model. - Assessed the appropriateness of a 10 year cash flow model. - Assessed the cash flows by developing an understanding of the key assumptions in the model, including production volumes and the sales value per tin attributed to canning and manufacturing costs. - Compared the assumed sales value per tin for canning included in the model to external information. - Considered the risk adjustment applied to the cash flows by developing an understanding of the status of licencing for exporting product under SAMR. • We performed a sensitivity analysis by reducing the production volumes and sales value within a reasonably foreseeable range.

Key audit matter	How our audit addressed the key audit matter

Valuation of inventory
Refer to note 9

The Group's inventories at 30 June 2019 amounted to $96 million.

Inventory predominantly consists of infant milk formula, baby food and associated raw materials which are held at third party or owned distribution centres across Australia, China and Singapore.

Inventory is measured at the lower of cost or net realisable value. To assess net realisable value, the Group estimates the future sales value of inventory and, where this is less than the cost of inventory, writes down the value of inventory to the estimated sales value.

In the year-end 30 June 2019, the Group rebranded infant milk formula products due to changes to laws governing Country of Origin Labelling in Australia and regulation for the import of products in China. The Group recorded a write-down of $12 million of inventory that was produced prior to the rebranding (legacy inventory).

We considered this a key audit matter due to the size of the inventory balance and the judgement required by the Group to estimate the future sales value of inventory. This included considering factors such as:

- product expiry dates
- expected sales volumes
- expected sales prices

As part of our audit procedures to assess the valuation of inventory we performed the following procedures amongst others;

- Compared the costing of a sample of raw materials and finished products to relevant supplier invoices
- Inspected a sample of sales invoices after year-end to assess whether products are sold above their cost price.
- Examined the Group's report that provides a list of the expiry dates of raw materials and compared a selection of raw materials which were close to expiry to the Group's production plan or to the list of raw materials contained in the inventory provision.
- Examined the Group's report that provides a list of the expiry dates of finished goods and the Group's sales forecast to develop an understanding of whether the finished goods were expected to be sold within the expiry window as required by key customers. To the extent inventory is forecast to be close to expiry, we assessed whether the finished goods were included in the inventory provision.
- Tested the accuracy of the expiry dates in the underlying report by comparing the expiry date listed for a sample of finished goods to the expiry date on the product label.
- Compared the value of legacy inventory disposed of to the value of the inventory write-down.
- Compared the total value of any remaining legacy inventory on hand to the year-end inventory provision.

Accounting for shortfall provisions
Refer to note 17

The Group has two key contractual arrangements for the manufacture of finished goods and a raw material purchase arrangement. These three contracts have minimum volume commitments and where the Group is not able to fulfil these minimum volume commitments, it is required to make production shortfall payments to the relevant manufacturers.

To assess the recognition of supplier provisions we, amongst other things:

- Inspected all material supplier contracts to identify and develop an understanding of the key terms and thresholds for minimum order volumes for each contract.
- Compared the Group's historical production and purchase records for each contract's minimum order volume period to the relevant supplier invoices to assess the accuracy of the

Key audit matter	How our audit addressed the key audit matter
The minimum volume commitments are based on each individual contract year (which differs from the Group's financial year). At each financial year- end, the Group raises a provision when production thresholds have not been met or the Group does not have the ability to meet the threshold under the contractual terms. We considered the accounting for shortfall provisions a key audit matter given the judgement required by the Group in: • assessing the ability to reach production thresholds for the contract year based on production forecasts • estimating the amount of provision required at 30 June 2019.	Group's internal records. • Considered the Group's ability under the three respective contracts to meet the volume threshold for the remaining period of the applicable contract year by considering the maximum production levels specified in the contract. • Compared the actual production plus the estimated production volume for the remaining contract period for the three contracts to the Group's minimum annual volume calculation. • Tested the mathematical accuracy of the calculation of the resulting shortfall provision.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 37 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Bellamy's Australia Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
27 August 2019

The shareholder information set out below was applicable as at 13 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	13,154
1,001 to 5,000	5,649
5,001 to 10,000	804
10,001 to 100,000	559
100,001 and over	34
	20,200
Holding less than a marketable parcel	970

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Black Prince Private Foundation	13,317,106	11.75
J P Morgan Nominees Australia Pty Ltd	11,371,193	10.03
Citicorp Nominees Pty Ltd	9,614,156	8.48
HSBC Custody Nominees (Australia) Ltd	8,287,707	7.31
HSBC Custody Nominees (Australia) Ltd-GSCO ECA	8,051,135	7.10
HSBC Custody Nominees (Australia) Ltd-GSI EDA	8,021,336	7.08
Quality Life Pty Ltd	6,590,810	5.81
BNP Paribas Nominees Pty Ltd	1,742,593	1.54
National Nominees Ltd	1,297,807	1.14
BNP Paribas Noms Pty Ltd	1,278,314	1.13
Monex Boom Securities (HK) Ltd	1,117,634	0.99
CS Third Nominees Pty Ltd	1,017,268	0.90
Invia Custodian Pty Ltd	585,000	0.52
Bicheno Investments Pty Ltd	490,000	0.43
Victoria Kirin Pty Ltd	374,234	0.33
Woodross Nominees Pty Ltd	320,460	0.28
JBWere (NZ) Nominees Ltd	274,635	0.24
Mr Benjamin Paul Landon	269,378	0.24
Citicorp Nominees Pty Ltd	205,150	0.18
HSBC Custody Nominees (Australia) Ltd - A/C 2	200,296	0.18
	74,426,212	65.66

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	5,917,196	22

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Black Prince Private Foundation	13,317,106	11.75
J P Morgan Nominees Australia Pty Ltd	11,371,193	10.03
Citicorp Nominees Pty Ltd	9,614,156	8.48
HSBC Custody Nominees (Australia) Ltd	8,287,707	7.31
HSBC Custody Nominees (Australia) Ltd-GSCO ECA	8,051,135	7.10
HSBC Custody Nominees (Australia) Ltd-GSI EDA	8,021,336	7.08
Quality Life Pty Ltd	6,590,810	5.81

Voting rights

Where voting at a meeting of shareholders is by voice or show of hands, every shareholder present in person, or by representative, has one vote. On a poll, every shareholder present in person, or by representative, has one vote for each fully paid ordinary share in Bellamy's.

Definitions

Group	The Group, Company or Bellamy's consolidated entity consisting of Bellamy's Australia Limited and its controlled entities
AASB	Australian Accounting Standards Board
ACCC	Australian Competition and Consumer Commission
A.C.N	Australian Company Number
AGM	Annual General Meeting
ASX	Australian Securities Exchange
APC	Australia Packaging Covenant
B2C	Business-to-Consumer
BAL	Bellamy's Australia Limited
C2C	Consumer-to-Consumer
CBEC	Cross-Border e-commerce
CNCA	Certification and Accreditation Administration of the People's Republic of China (refer GACC)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIQ	China Inspection and Quarantine
CODM	Chief Operating Decision Makers
CoOL	Country-of-Origin labelling
DAWR	Department of Agriculture and Water Resources
DFSV	Dairy Food Safety Victoria
DHA	Docosahexaenoic Acid
EEO	Equal Employment Opportunity
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ESG	Environmental, Social and Governance
FTE	Full Time Equivalent
FY19	Financial Year Ended 30 June 2019
FMCG	Fast-Moving Consumer Goods
FSANZ	Food Standards Australia New Zealand
FVLCD	Fair Value Less Costs to Dispose
GACC	General Administration of Customs of the People's Republic of China (formerly CNCA)
GRI	Global Reporting Initiatives

GST	Goods and Services Tax
IASB	International Accounting Standards Board
KMP	Key Management Personnel
KPI	Key Performance Indicator
LTIFR	Long-term Injury Frequency Rate
NASAA	National Association for Sustainable Agriculture Australia
OCI	Other Comprehensive Income
OFR	Operating and Financial Review
O2O	Online-to-Offline
SAMR	State Administration for Market Regulation
STI	Short-term Incentive
TCFD	Task Force on Climate-Related Financial Disclosures
TSR	Total Shareholder Return
LTI	Long-term Incentive
WHO	World Health Organisation