BEGA CHEESE LIMITED

ANNUAL REPORT

30 June 2008

BEGA CHEESE LIMITED
TRADING AS "BEGA CHEESE"
ABN 81 008 358 503

DIRECTORS

BARRY IRVIN (Chairman)
MAX ROBERTS
RICHARD PARBERY
TOM D'ARCY
RICHARD PLATTS

MANAGEMENT EXECUTIVE TEAM

MICHAEL BYRNES
Chief Executive Officer

MAURICE VAN RYN
International Business Manager

COLIN GRIFFIN
Chief Financial Officer /
Bega Franchise Manager /
Company Secretary

MATTHEW FANNING
Human Resources Manager

GRATTAN SMITH
Supply Chain Manager

BUSINESS REVIEW AND DEVELOPMENT GROUP
(In addition to Management Executive Team)

SEAN MORAN
Operations Manager, Processing and Packaging Unit

JOHN HICKS
Dairy Products Unit Manager

GRAHAME HOCKING
National and Export Business Manager

MICHAEL HAMPSON
Commercial Manager

ELVIS AMAIR
Technical Services Manager

BRETT KELLY
Chief Accountant /
Company Secretary

Chairman's report

The ongoing focus of meeting customer needs, improving efficiency, responding to opportunities and strategically positioning the Company again yielded excellent results for Bega Cheese in the 2007/2008 financial year. Record revenues, profits and output at Bega Cheese highlighted the capacities and capabilities of the company and its ability to effectively respond to the market place. The success of our first year of Board and management control of Tatura Milk Industries Limited ("Tatura Milk") as a result of our 70% ownership of that company added further to our consolidated business performance and the strength of the Bega Cheese group in the Australian dairy industry.

The 2007/2008 year was a record one for Bega Cheese. A review of both the Company performance and the consolidated results, which included the investment in Tatura Milk, reveals strong performance in the Bega Cheese business and a major turn around for Tatura Milk. Bega Cheese's annual accounts include both the company performance and the consolidation of the Tatura Milk results. Bega Cheese's total revenue for 2007/2008 was $377.6m with consolidated revenues totaling $696.6m. The Company profit before tax was $19.4m while the consolidated profit was $36.7m. Profit after tax attributable to the equity holders of the consolidated group was $27.8m, with the prior year being $12.0m.

The profit performance was built on strong sales in the Bega Cheese business with growth continuing in our business with Fonterra Brands; increases in the value and volume of sales in the Australian retail and industrial market, and continued export growth. The significant increase in global commodity pricing contributed to increased revenues received at Tatura Milk, with the improved profit performance being generated from the improved market conditions and the re-focusing of the business through the sale of non-core assets, the introduction of new customers and investments in key areas of efficiency and process improvement.

Both businesses have had significant increases in manufactured and value added production. Bega Cheese's output grew to be in excess of 75,000 tonnes of product while Tatura Milk produced almost 73,000 tonnes of dairy products. When considered jointly, the above now reflects a business that produces or value adds almost 150,000 tonnes of cheddar and cream cheese, skim, whole milk and whey powder, milk protein concentrates, butter, infant formula and bioactives, while also strategically supplying milk for the liquid milk markets. Chief Executive Officer, Mick Byrnes, will comment in more detail on divisional performance at Bega Cheese and Tatura Milk in his report.

The strong performance by Bega Cheese enabled the company throughout the year, to respond to what was unfortunately another difficult year for our shareholders on farm. Throughout the 2007/2008 year the Bega Cheese Board continued to review pay rates in light of challenging weather conditions, the rising cost of inputs and the capacity to pass price increases through to the market place. Average pay rates in 2007/2008 for the first time exceeded 50cpl, protein and butterfat equivalent. It was pleasing to see our shareholders respond to the stronger pricing signals with an increase in production: farming circumstances have been extremely testing over a number of years and the fact that Bega Cheese shareholders have been able to increase production this year is a testament to their skill and resilience.

As Bega Cheese has grown and established itself as one of the leading dairy companies in Australia, we have discussed with shareholders the most appropriate corporate structure for the organisation. The 2007/2008 year was historic from an organisational structure perspective, with shareholders supporting a change in structure from a co-operative to an unlisted public company. The new structure positions the company well for the future whilst still acknowledging the historic contribution of our shareholder base and retaining many of the features of our business that have led us to our success to date.

Business success is only possible if there is a shared vision and commitment by a number of people. The team at Bega Cheese continues to apply their skill and enthusiasm to the goal of continuous improvement, growth and response to the market place. The key leaders that have contributed to Bega Cheese's success for many years once again came to the fore in 2007/2008, Mick Byrnes in his role of CEO of Bega, Maurice Van Ryn in his dual role of CEO of Tatura Milk and International Business Manager at Bega Cheese, and Colin Griffin as Chief Financial Officer at Bega Cheese have all provided the leadership and energy to ensure the tasks accepted, and the commitments made, within our business were delivered.

Mick, Maurice, Colin, along with senior executive team members Grattan Smith and Matt Fanning, have led our excellent management and staff to another successful year at Bega Cheese and I would like to acknowledge all of those that work for Bega Cheese for their ongoing efforts. I would of course equally like to acknowledge my fellow Board members. Their careful reflection and guidance is a vital component to the success of the business and I very much appreciate the support they give me in our endeavour to meet and exceed our shareholders' expectations.

Chairman's report (cont.)

Finally I would like to thank our shareholders for their continued support of myself and the Board: many of our shareholders can trace back their families' involvement to the very beginnings of Bega Cheese. As we have grown and changed our shareholders have supported us. Bega Cheese is now one of Australia's leading dairy companies, and the shareholder support and stability that has brought the company has been a vital component of our success. The 2008/2009 year will no doubt see the continued development of the Bega Cheese business. The outcomes achieved to date will be important as we continue to strive to build for the future.

B.A. Irvin

Barry Irvin
Chairman
30 September 2008

Chief Executive Officer's report

Overview
The year ended 30 June 2008 has delivered another record profit for Bega Cheese. This result is a very pleasing outcome for what has been another difficult year in the dairy industry. The foundations that have been put in place in the Bega Cheese business have proven to be effective in delivering strong results again this year. The business is well placed to continue to perform well into the future. We have maintained our focus in delivering improved performance in safety, quality and efficiency throughout the organisation. We have again made good progress in all of these areas of the business.

We have had good growth in both our domestic and international business which sees the output for the Processing & Packaging Unit at 54,139 tonnes for the year. The output for the Dairy Products Unit has grown to 21,248 tonnes. This year was the first full year of Bega Cheese's 70% ownership of the Tatura Milk business. This investment has performed well in our first year of involvement and will create further opportunities for us to grow our business and to consolidate our position in the Australian dairy industry. Despite our involvement at Tatura Milk we have managed to grow the Bega Cheese business and have increased the profitability of the business.

Consolidated trading result
Operating profit for the year was $36.7m which was an increase of $14.5m reflecting the positive result at Tatura Milk being included for the full twelve months. After profit due to the minority interest of $6.1m, the profit after tax due to equity holders of Bega Cheese was $27.8m.

Trading result for Bega Cheese
The operating result for the year ended 30 June 2008 was a profit of $19.4m. Revenues generated by the business were up $84.5m to $377.6m.

Bega Cheese also delivered strong returns to its members by way of milk price, co-operative premiums and dividends. Total milk payments to direct supplier members of Bega Cheese were $67.8m, compared with prior year of $53.1m.

Processing and Packaging Unit (Ridge Street)
This business unit performed very strongly with growth of 5,109 tonnes and a total output of 54,139 tonnes of packaged cheese products which is an increase of 10% on the previous year. The table below demonstrates the significant growth in the Processing & Packaging Unit over the past few years. Output from the Processing & Packaging Unit has increased by over 50% in the last three years.

	2008	2007	2006	2005
Natural and processed cheese (tonnes)	54,139	49,030	42,334	35,705

The continuing growth in the output of the Processing & Packaging Unit has been accompanied by improved efficiencies and profitability of the business unit. We have continued to invest in the Processing & Packaging operations and have the majority of the lines running over 24 hours, 5 or 6 days per week, depending on demand. New opportunities continue to come our way across both the domestic and export businesses.

Dairy Products Unit (Lagoon Street)
The Dairy Products Unit has made a significant contribution to the profitability of the business this year. Total milk intake for the year was 175m litres which was 20m litres or 13% up on last year. This increase was largely due to supply arrangements between Bega Cheese and Tatura Milk for milk market sales. The local intake held up at 128m litres for the year which was a remarkable effort given the difficult season and high input costs incurred on farm this year. Market milk off-take increased by 6m litres to 38m litres for the year 2007/2008. The year on year production statistics for the Dairy Products Unit bulk product are as follows:-

	2008		2007		2006		2005	
Production of:	tonnes	% change	tonnes	% change	tonnes	% change	tonnes	% change
Cheese	13,451	11%	12,090	6%	11,412	1%	11,366	(1%)
Whey powder	6,869	15%	5,957	1%	5,890	1%	5,851	7%
Butter	309	(20%)	387	(15%)	457	(15%)	539	43%
String cheese	619	28%	484	9%	443	27%	350	(2%)

Chief Executive Officer's report (cont.)

Tatura Milk

The 2007/2008 year was the first full year of our involvement with the Tatura Milk business. The 70% ownership of Tatura Milk has opened up many tremendous opportunities for the joint business. Tatura Milk has increased revenues by $91.3m to $340.3m. It has achieved a record profit for the 2007/2008 year at $20.2m which is a great credit to the management team led by Maurice Van Ryn who has now stepped down as the Tatura Milk Industries Chief Executive Officer. Aidan Coleman has now taken on this role, is well known to us, and brings a great deal of experience to Tatura Milk. We are confident that Aidan and his team will continue the good progress already made in the first year of involvement by Bega Cheese and continue to grow the revenues and profitability of the Tatura Milk business.

Capitol Chilled Foods (Australia) Pty Ltd (CCFA)

The CCFA joint venture with Dairy Farmers has performed well and maintained a dominant position in its market in the ACT and southern New South Wales regions. CCFA has provided Bega Cheese with good cash flows and profits during the 2007/2008 year.

Fonterra Brands (Australia) (FBA) alliance

FBA remains our biggest customer and an important partner in our business. We have grown sales by 39% in value terms during the 2007/ 2008 year. We are working with FBA to continue to improve our business relationship for the benefit of both organisations.

Export division

The export division has grown to over $50m in sales revenue which is a 20% growth for the year. This is a very good performance given the significant increases in commodity prices and the strength of the Australian dollar for much of the 2007/2008 year. These increases in price of product to our export customers have been gradually achieved during the year. The strong growth is expected to continue in the export division. The export sales revenues are set out below:-

	2008	**2007**	**2006**	**2005**
Export sales – retail ($)	50,477,067	39,140,015	36,954,516	31,921,781

Acknowledgements

It has been another very successful year for Bega Cheese. We have grown the business across all areas and have made rapid and substantial improvements at Tatura Milk, which was an important outcome for the benefit of Bega Cheese and its shareholders.

The successful transition of Bega Cheese from a co-operative to an unlisted public company was an important outcome for us and was achieved with outstanding support of our shareholders.

I would like to thank all our dedicated and hard working staff for their great contribution to the success of the Bega Cheese business during the year. We have made some significant progress in our performance during the year, especially in the area of safety.

I would like to also acknowledge my senior executive team of Maurice Van Ryn, Colin Griffin, Matt Fanning and Grattan Smith and thank them for their tremendous efforts, support and contribution during the year. I would also like to thank our very capable management team for their efforts and contribution during the year.

Thank you to the Chairman and Directors of Bega Cheese for their support and guidance during the year. I look forward to working with the Board, the management team and staff to continue to build on the great achievements that have been the building blocks of this organisation. We can all be very proud of our achievements for this year at Bega Cheese.

Michael Byrnes
Chief Executive Officer
30 September 2008

Directors' report

Your Directors present the annual financial report of Bega Cheese Limited ("Bega Cheese") for the year ended 30 June 2008.

Directors

The following persons held office as Directors during and since the financial year:

Barry Andrew Irvin
Chairman
Dairy farmer
Director since September, 1989

Maxwell John Roberts
Deputy Chairman
Dairy farmer
Director since September, 1983

Richard Charles Parbery
Deputy Chairman
Dairy farmer and accountant
Director since September, 1988

Thomas Michael D'Arcy
Dairy farmer
Director since April, 1998

Richard Ellwyn Platts
Dairy farmer
Director since November, 2000

Principal activities

The principal activity of Bega Cheese in the course of the financial year was receiving, processing, manufacturing and distributing dairy and associated products. Bega continued to monitor its investment in Tatura Milk Industries Limited ("Tatura Milk"). A number of key issues in relation to the activities of Bega Cheese during the year ended 30 June 2008 are set out in the Chairman's report and the Chief Executive Officer's report, which are both to be read in conjunction with this Directors' report.

Result for the period	Consolidated		Company	
	Full year	24 April to 30 June	Full year	Full year
	2008	2007	2008	2007
	$	$	$	$
Profit attributable to members after Co-operative Premium and income tax and before payment of dividends	33,909,341	13,843,761	14,087,356	9,768,916

Dividends

In respect of the financial year ended 30 June 2008 the Directors have recommended the payment of an ordinary unfranked dividend of 10 cents per share (2007 - 8 cents per share). If the recommended dividend is approved by the members at the Annual General Meeting, it will represent distributions in the order of $2,479,581 (2007 - $1,738,026).

Review of operations

A comprehensive review of operations is set out in the Chairman's report and the Chief Executive Officer's report. The performance of the business units in Bega Cheese exceeded the prior period's results. The profit for the year by Tatura Milk was in line with expectations, and represents a significant turn around for the business.

Changes in state of affairs

Other than that disclosed in the Chairman's and the Chief Executive Officer's reports, there have been no significant changes in the state of affairs of Bega Cheese since the last Annual Report.

Indemnification of officers and auditors

During the financial year, Bega Cheese paid a premium in respect of a contract insuring the Directors (as named above) and all executive officers of Bega Cheese and of any related body corporate against a liability incurred as a Director or executive officer not exceeding the extent permitted by law. The contracts of insurance prohibit disclosure of the nature of the liabilities and the amount of the premiums. The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such an officer or auditor.

Directors' report (cont.)

Subsequent events
There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

Future developments
Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations
The operations of Bega Cheese are subject to environmental legislation and regulations. The Environmental Management Committee continues to manage this important area. During the financial year, this committee made steady progress, working with the Department of Environment and Climate Change, to ensure that Bega Cheese meets its obligations. The construction of a wet weather storage dam is now nearing completion. As a result, the Directors believe there is no significant exposure on environmental issues.

Meetings of Directors and Board committees
The following table sets out the number of meetings of Bega Cheese's Directors held during the year ended 30 June 2008 and the number of meetings attended by each Director and other members:

	Meetings of Board of Directors	
	Held and Eligible	**Attended**
Barry Irvin	17	17
Max Roberts	17	17
Richard Parbery	17	17
Tom D'Arcy	17	17
Richard Platts	17	17

	Finance Committee	
	Held and Eligible	**Attended**
Richard Parbery – Director	13	13
Tom D'Arcy – Director	13	13
Brett Kelly – Chief Accountant / Company Secretary	13	13
Michael Hampson – Commercial Manager Finance	13	7
Michelle Sonnenschein – PPU Finance Manager	13	12
Jane Grose – Financial Accountant	13	13

Michael Hampson and Michelle Sonnenschein gave apologies in advance of the meetings they were unable to attend.

	Communications Committee	
	Held and Eligible	**Attended**
Max Roberts – Director	6	6
Richard Platts – Director	6	6
Ken Garner – Farm Development Manager	6	6

This report is made in accordance with a resolution of the Directors.

Barry Irvin
Chairman

Richard Parbery
Deputy Chairman

Bega, NSW
30 September 2008

Deloitte.

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The Board of Directors
Bega Cheese Limited
23-45 Ridge Street
North Bega, NSW 2550

30 September 2008

Dear Board Members

Bega Cheese Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bega Cheese Limited.

As lead audit partner for the audit of the financial statements of Bega Cheese Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. Black.

David Black
Partner
Chartered Accountants

Deloitte

Deloitte Touche Tohmatsu
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Independent auditor's report to the Members of Bega Cheese Limited

We have audited the accompanying financial report of Bega Cheese Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 41.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Bega Cheese Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. Black.

David Black
Partner
Chartered Accountants
Canberra, 30 September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' declaration

The Directors declare that:

a. in the Directors' opinion, 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

b. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

On behalf of the Directors

B.A. Irvin

Barry Irvin
Chairman

Richard Parbery
Deputy Chairman

Bega, NSW
30 September 2008

Income statement for the financial period ended 30 June 2008

		Consolidated		Company	
		Full year 2008	24 April to 30 June 2007	Full year 2008	Full year 2007
	Note	$	$	$	$
Revenue	3	696,618,657	333,486,583	377,641,597	293,059,242
Cost of sales		(613,620,914)	(299,728,272)	(340,529,480)	(260,678,825)
Gross profit		82,997,743	33,758,311	37,112,117	32,380,417
Other income	3	6,223,164	6,257,470	7,022,099	5,911,949
Distribution expenses		(18,249,105)	(10,720,107)	(11,188,500)	(9,532,518)
Marketing expenses		(5,961,326)	(4,488,051)	(4,337,845)	(4,221,674)
Occupancy expenses		(1,630,540)	(1,186,731)	(1,161,053)	(1,076,529)
Administration expenses		(19,825,402)	(8,462,904)	(6,304,485)	(4,669,356)
Finance expenses	3	(6,868,134)	(1,476,509)	(1,753,422)	(702,903)
Discount on acquisition of business	25	-	8,555,431	-	-
Profit before co-operative premium, income tax and dividends on members' shares classified as borrowing expenses		36,686,400	22,236,910	19,388,911	18,089,386
Co-operative premium	3	-	(9,064,305)	-	(9,064,305)
Profit before income tax and dividends on members' shares classified as borrowing expenses		36,686,400	13,172,605	19,388,911	9,025,081
Income tax (expense)/benefit	4	(2,777,059)	671,156	(5,301,554)	743,835
Dividends on members' shares paid to members classified as borrowing expenses	21	-	(3,097,202)	-	(3,097,202)
Profit attributable to members after dividends on members' shares classified as borrowing expenses		33,909,341	10,746,559	14,087,357	6,671,714
Attributable to:					
Equity holders of the Company		27,842,858	11,988,149	14,087,357	6,671,714
Minority interest		6,066,483	(1,241,590)	-	-
		33,909,341	10,746,559	14,087,357	6,671,714

Statement of recognised income and expense for the financial period

Gain in cash flow hedges taken to equity	20	2,081,336	1,736,909	-	-
Net income recognised directly in equity		2,081,336	1,736,909	-	-
Profit for the period		33,909,341	10,746,559	14,087,357	6,671,714
Total recognised income for the period		35,990,677	12,483,468	14,087,357	6,671,714
Attributable to					
Equity holders of the parent		29,299,793	13,396,038	14,087,357	6,671,714
Minority interest		6,690,884	(912,570)	-	-
Total recognised income for the period		35,990,677	12,483,468	14,087,357	6,671,714

The financial statements should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2008

	Note	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Current assets					
Cash	27	11,416,009	10,237,574	8,626,688	5,060,827
Trade and other receivables	7	77,446,198	57,348,734	33,731,083	24,467,833
Other financial assets	8	6,473,769	3,239,071	537,012	275,651
Inventories	9	111,439,657	58,486,072	46,450,586	23,062,654
Other	10	1,935,046	2,224,207	1,442,016	682,928
Total current assets		208,710,679	131,535,658	90,787,385	53,549,893
Non-current assets					
Other financial assets	11	827,234	1,716,566	38,015,002	38,015,002
Property, plant and equipment	12	118,995,304	126,829,116	53,980,772	55,217,822
Deferred tax assets	4	13,432,074	17,101,135	3,772,790	9,074,344
Intangible assets	14	404,640	404,640	404,640	404,640
Total non-current assets		133,659,252	146,051,457	96,173,204	102,711,808
Total assets		342,369,931	277,587,115	186,960,589	156,261,701
Current liabilities					
Trade and other payables	15	100,852,966	73,038,555	57,678,243	52,864,505
Borrowings	17	31,530,739	26,543,410	9,500,000	4,000,000
Provisions	18	7,802,807	7,801,978	3,059,294	2,188,800
Total current liabilities		140,186,512	107,383,943	70,237,537	59,053,305
Non-current liabilities					
Trade and other payables	16	450,000	-	5,259,688	9,284,532
Borrowings	17	27,735,129	24,942,187	9,000,000	-
Provisions	18	2,915,384	3,178,756	2,521,153	2,687,076
Total non-current liabilities excluding members' shares		31,100,513	28,120,943	16,780,841	11,971,608
Total liabilities excluding members' shares		171,287,025	135,504,886	87,018,378	71,024,913
Net assets excluding members' shares		171,082,906	142,082,229	99,942,211	85,236,788
Member's shares classified as a liability	19	-	22,402,838	-	22,402,838
Net assets after members' shares classified as a liability		171,082,906	119,679,391	99,942,211	62,833,950
Members' funds					
Members' shares	19	24,795,805	22,402,838	24,795,805	22,402,838
Reserves	20	43,500,351	42,034,287	32,563,182	32,563,182
Retained earnings	20	61,655,160	35,587,203	42,583,224	30,270,768
Total members' funds before members' funds classified as a liability		129,951,316	100,024,328	99,942,211	85,236,788
Less members' shares classified as a liability	19	-	(22,402,838)	-	(22,402,838)
Equity attributable to equity holders of the parent		129,951,316	77,621,490	99,942,211	62,833,950
Minority interest		41,131,590	42,057,901	-	-
Total equity		171,082,906	119,679,391	99,942,211	62,833,950

The financial statements should be read in conjunction with the accompanying notes.

Cash flow statement for the financial period ended 30 June 2008

	Note	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Cash flows from operating activities					
Receipts from customers		678,981,239	343,955,963	389,053,393	307,765,191
Payments to suppliers and employees		(669,239,755)	(308,272,270)	(391,134,299)	(265,457,408)
Co-operative premium paid		-	(9,064,305)	-	(9,064,305)
Dividends paid classified as borrowing expenses		-	(3,097,202)	-	(3,097,202)
Interest and other costs of financing paid		(3,184,762)	(1,111,690)	(684,499)	(878,324)
Net cash provided by/(used in) operating activities	27c	6,556,722	22,410,496	(2,765,405)	29,267,952
Cash flows from investing activities					
Interest received		923,329	1,086,896	458,080	995,796
Dividend received		802	-	-	-
Payment for property, plant and equipment		(8,997,475)	(3,917,597)	(5,656,315)	(3,767,613)
Proceeds from sale of property, plant and equipment		2,838,986	63,412	47,300	46,412
Payment for intangible assets		-	(404,640)	-	(404,640)
Payments for shares in unlisted companies	25	-	-	(3,635,865)	(24,546,619)
Proceeds from sale of shares in listed companies		248,213	1,701,914	-	1,048,736
Net cash used in investing activities		(4,986,145)	(1,470,015)	(8,786,800)	(26,627,928)
Cash flows from financing activities					
Proceeds from borrowings		20,000,000	14,540,819	14,500,000	4,000,000
Repayment of borrowings		(10,410,836)	(15,583,019)	-	(8,000,000)
Repayment of leases		(2,096,462)	(1,124,337)	-	-
Distributions to former members		-	(64,415)	-	(64,415)
Share capital subscribed by members		2,612,047	165,023	2,612,047	165,023
Share capital purchased back from former members		(219,080)	(1,336,538)	(219,080)	(1,336,538)
Share capital purchased back from minority interests		(1,083,205)	-	-	-
Loans repaid by/(made to) minority interests		12,177,219	(12,177,219)	-	-
Dividends paid to members		(1,774,901)	-	(1,774,901)	-
Dividends paid to minority interests		(19,596,924)	(2,779,954)	-	-
Net cash (used in)/provided by financing activities		(392,142)	(18,359,640)	15,118,066	(5,235,930)
Net increase/(decrease) in cash and cash equivalents		1,178,435	2,580,841	3,565,861	(2,595,906)
Cash and cash equivalents at the beginning of the period		10,237,574	7,656,733	5,060,827	7,656,733
Cash and cash equivalents at the end of the period	27a	11,416,009	10,237,574	8,626,688	5,060,827

The financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. General information and summary of accounting policies

Bega Cheese Limited ("the Company" or "Bega Cheese") is a company domiciled in New South Wales, Australia. The address of the Company's registered office and principal place of business is 23-45 Ridge Street, Bega, New South Wales.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the provisions of the Corporations Act 2001, Accounting Standards and interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). The financial statements were authorised for issue by the directors on 30 September 2008.

Basis of preparation

The financial report has been prepared on the basis of historical cost except as stated. Cost is based on the fair values of consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

On 23 April 2008, The Bega Co-operative Society Limited was restructured into a company, Bega Cheese Limited, incorporated under the Corporations Act 2001. As a result of the restructure, shares in Bega Cheese Limited are recognised in the balance sheet as issued capital and dividends paid as an equity transaction. Previously under the co-operative structure, shares were classified as a liability and dividends classified as borrowing costs to be consistent with the underlying financial instrument. All dividends paid in 2008 have been classified as dividends in the financial statements to reflect the closing capital structure.

Bega Cheese became a majority shareholder in Tatura Milk Industries Limited ("Tatura Milk") on 23 April 2007. Accordingly, consolidated financial statements have been prepared from this date onwards and the prior year period for the consolidated accounts is from 24 April to 30 June 2007.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Early adoption of standards

The consolidated entity has elected to apply AASB8 "Operating Segments" to the annual reporting period beginning 1 July 2007. The effect of early adoption is that segment information has been removed from the financial statements for the current and prior years.

New standards and interpretations not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but may change the disclosures presently made in relation to the consolidated entity's and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after
• AASB 101 'Presentation of Financial Statements' (revised September 2007)	1 January 2009

Initial application of the following standards and Interpretations is not expected to have any material impact on the financial report of the Consolidated Entity and the Company.

Standard or Interpretation	Effective for annual reporting periods beginning on or after
• AASB Interpretation 12 'Service Concession Arrangements'	1 January 2008
• AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008
• AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008
• Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
• Interpretation 15 "Agreements for the Construction of Real Estate"	1 January 2009
• AASB 123 'Borrowing Costs' – revised standard	1 January 2009
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

Standard or Interpretation	Effective for annual reporting periods beginning on or after
• IFRS 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements'	1 January 2009

Significant accounting policies

The following accounting policies have been adopted in the preparation and presentation of the financial report:

(a) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Bega Cheese and entities controlled by Bega Cheese (referred to as "the consolidated entity" in these financial statements). Control is achieved where Bega Cheese has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

The excess of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the fair value of the cost of the investment is treated as a discount on acquisition. The discount on acquisition is recognised in profit and loss in the period of investment.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by Bega Cheese. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets of the subsidiary are identified separately from Bega Cheese's equity interest. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the consolidated entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) **Cash**

Cash comprises cash on hand and cash in banks.

(d) **Derivative financial instruments**

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. The consolidated entity does not enter into derivative financial instruments for speculative purposes.

Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity, except where the hedge is used to fair value the initial measurement of the matched transaction. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

At the inception of the hedge relationship the consolidated entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Note 2 contains details of the fair value of derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in note 20.

(e) **Dividends payable**

Dividends paid by the Company in the period ending June 2008 have been classified as dividends in the financial statements to mirror the treatment of the members' shares being classified as equity. For the period ending June 2007, as members' shares were classified as a liability, dividends paid by Bega Cheese were classified as interest expense.

(f) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', "available-for-sale " and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined as market value less expected transaction costs.

Available-for-sale financial assets

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 2. Gains and losses arising from changes in fair value are recognised directly in reserves with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in reserves is included in profit or loss for the period.

(h) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at the reporting date.

Exchange differences are recognised in profit and loss in the period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of receivables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from the taxation authority is classified as operating cash flows.

(j) Government grants

Government grants are assistance by the government in the form of transfers or resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(k) **Impairment of other tangible and intangible assets**

At each reporting date, the consolidated entity reviews the carrying amounts of it assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of calculation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit). The reversal of an impairment loss is recognised immediately in income unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) **Income tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss of the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax assets or liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the consolidated entity is able to control the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities reflects tax consequences that would follow from the manner in which the consolidated entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement , except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken to account in the determination of goodwill or excess.

(m) **Intangible assets**

Brand names

Brand names recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life for the assets. Such assets are tested for impairment in accordance with the policy stated in note 14.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(o) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the consolidated entity's balance sheet. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(p) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(q) Joint venture operations

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture and the share of any expenses incurred in relation to the joint venture in their respective classification categories.

(r) Members' shares

Up until 23 April 2008, members of Bega Cheese recognised their shares under The Bega Co-operative Society Limited structure as equity in accordance with the ordinary meaning of co-operatives in Australia. In the financial statements for the year ended 30 June 2007, members' shares were classified as a liability in accordance with A-IFRS. After the restructure on 23 April 2008, members' shares are classified as equity in the financial statements. See note 19 for further details.

(s) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(t) Property, plant and equipment

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition less accumulated depreciation and impairment.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred for longer than 12 months, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a systematic basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

- Buildings	20 - 40 years
- Plant and equipment	5 - 20 years

(u) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliable.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(v) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(w) **Revenue recognition**

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Rental

Rental revenue is recognised on an accrual basis in accordance with the substance of relevant rental agreements.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

2. Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, price and commodity risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity 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 and aging analysis for credit risk.

Risk management is overseen by the Finance Committee under policies approved by the Board of Directors and carried out by the Chief Accountant. This officer identifies, evaluates and hedges financial risks in close co-operation with the consolidated entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The consolidated entity and the Company held the following financial instruments:

	Consolidated		Company	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Financial Assets				
Cash and cash equivalents	11,416,009	10,237,574	8,626,688	5,060,827
Trade and other receivables	77,446,198	57,348,734	33,731,083	24,467,833
Financial assets at fair value through profit and loss	827,234	827,131	814,523	814,523
Derivative financial instruments	6,473,769	3,239,071	537,012	275,651
Available for sale financial assets	-	889,435	-	-
Held to maturity investments	-	-	37,200,479	37,200,479
Other financial assets	1,935,046	2,224,207	1,442,016	682,928
	98,098,256	74,766,152	82,351,801	68,502,241
Financial Liabilities				
Trade and other payables	100,765,954	72,762,904	62,400,919	61,873,386
Borrowings	59,265,868	51,485,597	18,500,000	4,000,000
Derivative financial instruments	537,012	275,651	537,012	275,651
	160,568,834	124,524,152	81,437,931	66,149,037

2. Financial Risk Management (cont.)

(a) Market Risk

i) Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity's policy is to hedge either all confirmed orders or 100% of anticipated cash flows in US dollars for the subsequent 6 months. Approximately 100% (2007 – 100%) of projected sales qualify as "highly probable" forecast transactions for hedge accounting purposes. At year end, the following foreign exchange contracts were held:

	Consolidated		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
USD dollars	$	$	$	$
Contracts to sell USD - gross amount	96,914,695	81,588,013	7,992,490	5,520,493
Contracts to buy USD - gross amount	1,274,004	-	1,274,004	-
Japanese Yen	¥	¥	¥	¥
Contracts to sell Yen - gross amount	2,001,178,070	1,532,763,230	-	-

	Consolidated			
	Average exchange rate		Principal amount	
Consolidated	Yen	USD	Yen	USD
Analysis as at 30 June 2008	2008	2008	2008	2008
Contracts to sell USD			¥	$
Less than 3 months	88.48	0.84	1,091,229,670	18,922,206
3 to 6 months	89.77	0.91	909,948,400	67,992,489
Longer than 6 months	-	0.91	-	10,000,000
Total contracts			2,001,178,070	96,914,695
Contracts to buy USD				
Less than 3 months	-	0.87	-	1,274,004
			-	1,274,004

	Average exchange rate		Principal amount	
	Yen	USD	Yen	USD
Analysis as at 30 June 2007	2007	2007	2007	2007
Contracts to sell USD			¥	$
Less than 3 months	94.94	0.80	596,063,230	8,652,840
3 to 6 months	102.96	0.83	696,600,000	40,650,463
Longer than 6 months	102.05	0.83	240,100,000	32,284,710
Total contracts			1,532,763,230	81,588,013

	Company			
	Average exchange rate		Principal amount	
Company	USD	USD	USD	USD
Analysis as at 30 June	2008	2007	2008	2007
Company			$	$
Less than 3 months	0.84	0.81	6,005,703	3,585,320
3 to 6 months	0.92	0.83	1,986,787	1,650,463
Longer than 6 months	-	0.83	-	284,710
Total contracts			7,992,490	5,520,493

2. Financial Risk Management (cont.)

The carrying amounts of the consolidated entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	Consolidated		Company	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
USD Balances				
Receivables - Trade debtors	24,923,245	14,312,859	4,239,884	3,854,621
Sell foreign currency (fair value hedges)				
- Maturing in less than 3 months	(15,358,110)	(10,458,238)	-	-
- Maturing within 3 - 12 months	(5,325,251)	-	-	-
Sell foreign currency (cash flow hedges)				
- Maturing in less than 3 months	(4,239,884)	(3,854,621)	(4,239,884)	(3,854,621)
Net exposure	-	-	-	-
Japanese Yen balances				
Receivables - Trade debtors	5,467,331	2,216,686	-	-
Sell foreign currency (fair flow hedges)				
- Maturing in less than 3 months	(5,467,331)	(2,216,686)	-	-
Net exposure	-	-	-	-

Consolidated entity and Company sensitivity

A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. There is no affect on profit or loss.

	Consolidated		Company	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
	Equity	Equity	Equity	Equity
USD Balances	3,102,842	3,977,049	-	-
Yen Balances	675,256	442,178	-	-
	Profit or loss	Profit or loss	Profit or loss	Profit or loss
USD Balances	-	-	-	-
Yen Balances	-	-	-	-

A 10 per cent weakening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. There is no affect on profit or loss.

	Consolidated		Company	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
	Equity	Equity	Equity	Equity
USD Balances	(5,417,662)	(6,944,057)	-	-
Yen Balances	(1,179,019)	(1,158,830)	-	-

2. Financial Risk Management (cont.)

ii) Price risk

The consolidated entity and the parent entity are exposed to price risk. This arises from investments held by the consolidated entity and classified on the balance sheet either as available for sale or at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the consolidated entity selects its portfolio to match business synergies and limits its exposure by agreeing all investments at the board level.

The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity except for the factors disclosed in note 11. No statistical analysis is performed as the investment is evaluated on criteria other than financial ones.

As at the reporting date, the consolidated entity and Company had the following variable rate borrowings and interest rate swap contracts outstanding:

	Consolidated		Company	
	Average Interest Rate	30 June 2008	Average Interest Rate	30 June 2008
	%	$	%	$
Bank overdrafts and bank loans	8.1	56,332,045	8.6	18,500,000
Less loans at fixed rates	8.0	(21,332,045)	-	-
Bank overdrafts and bank loans At variable rates	8.2	35,000,000	8.6	18,500,000
Less interest rate swaps (notional principal amount)	7.4	(9,000,000)	7.4	(9,000,000)
Net Exposure to cash flow interest rate risk	8.0	26,000,000	8.3	9,500,000

	Consolidated		Company	
	Average Interest Rate	30 June 2007	Average Interest Rate	30 June 2007
	%	$	%	$
Bank overdrafts and bank loans	7.5	51,485,597	7.1	4,000,000
Less loans at fixed rates	7.9	(30,862,461)	7.1	(4,000,000)
Bank overdrafts and bank loans At variable rates	6.8	20,623,136	-	-
Less interest rate swaps (notional principal amount)	-	-	-	-
Net Exposure to cash flow interest rate risk	6.8	20,623,136	-	-

An analysis by maturities is provided in (c) below.

The consolidated entity and the Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration such as refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the consolidated entity calculates the impact on profit and loss of a defined interest rate shift.

Based on the various scenarios, the consolidated entity and the Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the consolidated entity raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the consolidated entity borrowed at fixed rates directly. Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Consolidated entity sensitivity

At 30 June 2008, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, post tax profit for the year and equity would have been affected as follows, mainly as a result of higher/lower interest charges from borrowing equivalents.

2. Financial Risk Management (cont.)

	Consolidated		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	$	$	$	$
	Equity	Equity	Equity	Equity
100 basis points increase	(96,603)	(51,748)	(42,144)	(9,795)
100 basis points decrease	96,603	51,748	42,144	9,795
	Profit or loss	Profit or loss	Profit or loss	Profit or loss
100 basis points increase	(96,603)	(51,748)	(42,144)	(9,795)
100 basis points decrease	96,603	51,748	42,144	9,795

iii) Commodity Price Risk

The consolidated entity is exposed to commodity price risk in the global market for dairy products. Strategies to manage the risk include;

- a proactive review of prices to secure forward supply at favourable rates;
- a committee to oversee cheese purchases to take advantage of market conditions
- selling contracts based on input prices that track commodity levels

Consolidated entity and Company sensitivity

Due to the complex nature of the commodity supply and demand of the consolidated entity, a sensitivity analysis is not possible. Whilst rising commodity prices increase the input cost of whey, milk, curd and cheese, it enables these price increases to be passed on to customers, albeit with some time delay. The Company experiences similar sensitivity issues.

b) **Credit Risk**

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted. For customers, the finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by customers is regularly monitored by management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 7. For customers, the consolidated entity generally retains title over the goods sold until full payment is received. For some trade receivables the consolidated entity may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. In addition, the Company obtains insurance over all export debtors and some Australian customers.

Financial risk management

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to amounts past due at the reporting date.

	Consolidated		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Trade receivables	$	$	$	$
Not past due	61,520,953	36,716,373	29,731,169	17,342,581
Due 0-30 days	7,028,001	9,109,074	1,905,690	2,283,666
Due 30-120 days	290,315	1,875,029	5,654	523,382
Due over 120 days	2,237	7,549	2,341	7,836
Trade receivables as at 30 June	68,841,506	47,708,025	31,644,854	20,157,465

All impaired balances are more than 60 days overdue.

There is considered to be limited credit risk in the balances of other receivables due to their nature as government debt, related parties or entities with which close commercial relationships are maintained.

2. Financial Risk Management (cont.)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Finance aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in term deposits with credit ratings of at least "AA".

Financing arrangements

The consolidated entity and the Company had access to the following un-drawn borrowing facilities at the reporting date:

	Consolidated		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	$	$	$	$
Expiring with one year (overdraft and bill facility)	11,500,000	7,000,000	11,500,000	7,000,000
Expiring beyond one year (bank loans)	42,746,692	62,419,340	13,000,000	32,000,000
Total undrawn facilities	54,246,692	69,419,340	24,500,000	39,000,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The bill facility may be drawn at any time and is subject to annual review. Subject to the compliance with covenants, the bank loan facilities may be drawn at any time.

Maturities of financial liabilities

The tables below analyse the consolidated entity and the Company's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

Consolidated entity At 30 June 2008	Less than one year	Between 1 - 2 years	Between 2 - 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Non-derivative financial liabilities					
Finance leases	(908,150)	(908,150)	(1,589,263)	(3,405,563)	(2,933,823)
Secured bank loans	(34,363,287)	(6,342,403)	(23,072,908)	(63,778,598)	(56,332,045)
Trade and other payables	(95,736,262)	(6,000,000)	-	(101,736,262)	(100,315,954)
Total non derivatives	(131,007,699)	(13,250,553)	(24,662,171)	(168,920,423)	(159,581,822)
Derivative financial liabilities					
Forward contracts					
- Hedge outflows	(148,645)	-	-	(148,645)	(148,645)
- Hedge inflows	6,622,414	-	-	6,622,414	6,622,414
Total derivatives	6,473,769	-	-	6,473,769	6,473,769
Net total	(124,533,930)	(13,250,553)	(24,662,171)	(162,446,654)	(153,108,053)

2. Financial Risk Management (cont.)

Consolidated entity At 30 June 2007	Less than one year	Between 1 - 2 years	Between 2 - 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Non-derivative financial liabilities					
Finance leases	(1,145,592)	(1,145,592)	(3,421,681)	(5,712,865)	(4,742,716)
Secured bank loans	(28,812,314)	(6,037,003)	(19,086,010)	(53,935,327)	(46,742,881)
Trade and other payables	(63,744,909)	(11,000,000)	-	(74,744,909)	(72,762,904)
Total non derivatives	(93,702,815)	(18,182,595)	(22,507,691)	(134,393,101)	(124,248,501)
Derivative financial liabilities					
Forward contracts					
- Hedge inflows	3,239,071	-	-	3,239,071	3,239,071
Total derivatives	3,239,071	-	-	3,239,071	3,239,071
Net total	(90,463,744)	(18,182,595)	(22,507,691)	(131,154,030)	(121,009,430)

Company At 30 June 2008	Less than one year	Between 1 - 2 years	Between 2 - 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Non-derivative financial liabilities					
Secured bank loans	(10,180,675)	(664,650)	(9,664,650)	(20,509,975)	(18,500,000)
Trade and other payables	(57,464,181)	(6,000,000)	-	(63,464,181)	(62,400,919)
Total non derivatives	(67,644,856)	(6,664,650)	(9,664,650)	(83,974,156)	(80,900,919)
Derivative financial liabilities					
Forward contracts					
- Hedge outflows	(148,645)	-	-	(148,645)	(148,645)
- Hedge inflows	685,657	-	-	685,657	685,657
Total derivatives	537,012	-	-	537,012	537,012
Net total	(67,107,844)	(6,664,650)	(9,664,650)	(83,437,144)	(80,363,907)
Company At 30 June 2007					
Non-derivative financial liabilities					
Secured bank loans	(4,002,318)	-	-	(4,002,318)	(4,000,000)
Trade and other payables	(52,855,391)	(11,000,000)		(63,855,391)	(61,873,386)
Total non derivatives	(56,857,709)	(11,000,000)	-	(67,857,709)	(65,873,386)
Derivative financial liabilities					
Forward contracts					
- Hedge outflows	275,651	-	-	275,651	275,651
Total derivatives	275,651	-	-	275,651	275,651
Net total	(56,582,058)	(11,000,000)	-	(67,582,058)	(65,597,735)

2. Financial Risk Management (cont.)

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates to their fair values.

3. Profit from operations

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
Revenue from continuing operations consisted of the following items:				
Sales of goods	696,618,657	333,486,583	377,641,597	293,059,242
Other income				
Interest revenue	944,495	1,035,292	479,247	944,191
Royalties	4,537,970	4,203,489	4,537,970	4,203,489
Rental revenue	621,715	606,019	584,931	601,429
Dividends from other entities	802	35,238	-	35,192
Other	118,182	377,432	1,419,951	127,648
Total	702,841,821	339,744,053	384,663,696	298,971,191
Profit before income tax has been arrived at after (crediting)/charging the following gains and losses from continuing operations;				
(Gain)/loss on disposal of				
property, plant and equipment	(130,519)	(46,533)	16,068	(29,533)
investments	6,119	(2,411)	-	(2,185)
Impairment of fixed assets	(466,573)	-	-	-
Net foreign exchange losses	70,291	8,260	70,291	8,260
Operating lease minimum lease payments	1,469,603	658,143	558,575	567,280
Increase in inventory provisions	2,620,176	(2,108,173)	605,512	322,571
(Write back) of bad and doubtful debts	(162,603)	(36,591)	(329,030)	(36,591)
Employee benefits - defined contributions	4,883,660	2,767,974	3,031,263	2,537,485
Depreciation of non-current assets	13,656,247	8,255,567	6,829,997	6,826,694
Co-operative premium, provided or paid	-	9,064,305	-	9,064,305
Finance costs				
Interest on bank loans	4,453,890	1,053,843	771,212	588,569
Interest on obligations under finance leases	299,576	70,781	-	-
Other interest expense	918,742	221,845	918,742	68,090
Impairment loss on available for sale investments	635,000	-	-	-
Dividends on members' shares classified as financial liabilities	-	3,097,202	-	3,097,202
Other finance costs	560,926	130,040	63,468	46,244
Total	6,868,134	4,573,711	1,753,422	3,800,105

4. Income tax

Income tax recognised in profit

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
Total income tax (expense)/benefit comprises:				
Current tax charge	(6,761,385)	(104,559)	(6,314,301)	(104,559)
Deferred tax (expense)/benefit from the origination and reversal of temporary differences	(3,277,526)	670,411	729,806	743,090
Adjustments recognised in the current year in relation to current tax of prior years	7,261,852	105,304	282,941	105,304
Total income tax (expense)/benefit	(2,777,059)	671,156	(5,301,554)	743,835

Income tax (expense)/benefit

Reconciliation of income tax (expense)/benefit charged to the income statement with income tax calculated on profit from ordinary activities before income tax:

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Profit before income tax and dividends to members classified as borrowing expenses	36,686,400	13,172,605	19,388,911	9,025,081
Income tax expense calculated at 30%	(11,005,920)	(3,951,782)	(5,816,673)	(2,707,524)
Non-assessable income	-	2,685,308	-	9,636
Non-deductible expenses	(748,725)	(26,190)	(287,306)	(18,362)
Other deductible expenses	1,715,734	3,354,781	519,484	3,354,781
Carried forward tax losses not recognised	-	(1,496,265)	-	-
Adjustments in respect of prior year				
Tax losses not previously brought to account	5,931,113	-	-	-
Other	1,330,739	105,304	282,941	105,304
Total	(2,777,059)	671,156	(5,301,554)	743,835

Income tax recognised in equity

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Total income tax (expense)/benefit comprises:				
Distributions proposed	(5,879,077)	9,634,060	-	-
Fair value of derivatives	(892,001)	(470,029)	-	-
Total income tax (expense)/benefit	(6,771,078)	9,164,031	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous period.

Consolidated	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
Period ending 30 June 2008				
Gross deferred tax assets				
Borrowing costs	25,765	(9,122)	-	16,643
Doubtful debts	114,600	124,036	-	238,636
Stock provisions	-	4,280,186	-	4,280,186
Sundry accrued expenses	844,382	1,796,054	-	2,640,436
Employee provisions	3,522,706	256,567	-	3,779,273
Unrealised foreign exchange	6,077	(524,610)	-	(518,533)
Leased assets	87,851	11,945	-	99,796
Distributions proposed	9,634,060	-	(5,879,077)	3,754,983
Tax losses brought to account	9,312,359	(6,031,360)	-	3,280,999
	23,547,800	(96,304)	(5,879,077)	17,572,419
Gross deferred tax liabilities				
Property, plant and equipment	5,557,639	(3,198,321)	-	2,359,318
Fair value of derivatives	889,026	-	892,001	1,781,027
Total	17,101,135	3,102,017	(6,771,078)	13,432,074

4. Income tax (cont.)

	Opening or at Acquisition $		Charged to income $	Charged to equity $	Closing balance $
Consolidated					
Period ending 30 June 2007					
Gross deferred tax assets					
Borrowing costs	8,575		17,190	-	25,765
Doubtful debts	269,980	*	(155,380)	-	114,600
Sundry accrued expenses	1,113,183	*	(268,801)	-	844,382
Employee provisions	2,946,037	*	576,669	-	3,522,706
Unrealised foreign exchange	6,195		(118)	-	6,077
Leased assets	76,118	*	11,733	-	87,851
Distributions proposed	-		-	9,634,060	9,634,060
Tax losses brought to account	9,311,614		745	-	9,312,359
	13,731,702		182,038	9,634,060	23,547,800
Gross deferred tax liabilities					
Property, plant and equipment	6,046,757	*	(489,118)	-	5,557,639
Fair value of derivatives	418,997	*	-	470,029	889,026
Total	7,265,948		671,156	9,164,031	17,101,135

* These items relate to deferred tax balances on acquisition except for $114,188, $111,367, $1,298,051 and $2,519,481 of the balances relating respectively to doubtful debts, accrued expenses, employee expenses and property, plant and equipment.

	Opening balance $	Charged to income $	Closing balance $
Company			
Period ending 30 June 2008			
Gross deferred tax assets			
Borrowing costs	25,765	(9,122)	16,643
Doubtful debts	107,415	(98,709)	8,706
Sundry accrued expenses	100,850	11,286	112,136
Employee provisions	1,691,248	508,498	2,199,746
Unrealised foreign exchange	6,077	13,445	19,522
Tax losses brought to account	9,312,359	(6,031,360)	3,280,999
	11,243,714	(5,605,962)	5,637,752
Gross deferred tax liabilities			
Property, plant and equipment	2,169,370	(304,408)	1,864,962
Total	9,074,344	(5,301,554)	3,772,790
Period ending 30 June 2007			
Gross deferred tax assets			
Borrowing costs	8,575	17,190	25,765
Doubtful debts	114,188	(6,773)	107,415
Sundry accrued expenses	111,367	(10,517)	100,850
Employee provisions	1,298,051	393,197	1,691,248
Unrealised foreign exchange	6,195	(118)	6,077
Tax losses brought to account	9,311,614	745	9,312,359
	10,849,990	393,724	11,243,714
Gross deferred tax liabilities			
Property, plant and equipment	2,519,481	(350,111)	2,169,370
Total	8,330,509	743,835	9,074,344

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
4. Income tax (cont.)				
Unrecognised deferred tax balances				
Deferred income tax assets not brought to account:				
Tax losses - revenue	6,158,503	8,462,731	-	-
Tax losses - capital	399,825	399,825	399,825	399,825

5. Key management personnel remuneration

The compensation of the key management of the consolidated entity and company is set out below:

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Short term employee benefits	2,818,739	1,403,991	1,470,638	1,403,991
Long term employee benefits	210,087	142,968	136,551	142,968
Total	3,028,826	1,546,959	1,607,189	1,546,959

6. Remuneration of auditors

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Auditor of the Company				
Audit and review of the financial report	110,000	140,000	110,000	110,000
Other auditors				
Audit and review of the financial report	147,880	92,880	-	-
Taxation services	65,435	31,830	-	-
Other services related to tax advice	-	-	30,000	-

The auditor of the Company is Deloitte Touche Tohmatsu.

7. Current trade and other receivables

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Trade receivables	69,036,950	48,066,072	31,673,871	20,515,512
Allowance for doubtful debts	(195,444)	(358,047)	(29,017)	(358,047)
	68,841,506	47,708,025	31,644,854	20,157,465
Goods and services tax (GST) receivable	4,599,365	3,057,415	677,474	671,311
Other debtors	1,408,755	4,159,646	1,408,755	3,639,057
Advances for vat loans	398,597	522,771	-	-
Advances to members of Tatura Milk	2,197,975	1,900,877	-	-
Total	77,446,198	57,348,734	33,731,083	24,467,833

The average credit period for trade debtors is 30 days. No interest is generally charged on overdue debts. An allowance has been made for estimated irrecoverable amounts from a review of debtors outside their trading terms.

Advances for vat loans are made to members of Tatura Milk to assist with the purchase of on farm milk storage vats. Interest is charged at 8.0% (2007 - 8.0%).

Advances to members of Tatura Milk are interest bearing loans to assist with short term working capital. The advances have a maximum repayment term of 12 months and interest is charged at 11.0% (2007 - 10.0%).

		Consolidated		Company	
		Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
8.	**Other current financial assets**				
	At fair value:				
	Fair value of derivatives	6,473,769	3,239,071	537,012	275,651
	Total	6,473,769	3,239,071	537,012	275,651
9.	**Inventories**				
	Finished goods at cost	51,122,400	23,788,886	21,986,576	14,575,948
	Finished goods at net realisable value	24,069,847	14,618,705	1,461,302	252,706
	Raw materials at cost	36,247,410	20,078,481	23,002,708	8,234,000
	Total	111,439,657	58,486,072	46,450,586	23,062,654
10.	**Other current assets**				
	Prepayments	1,935,046	2,224,207	1,442,016	682,928
	Total	1,935,046	2,224,207	1,442,016	682,928
11.	**Other non-current financial assets**				
	Investment in subsidiary - Tatura Milk	-	-	37,200,479	37,200,479
	Fair valued through profit and loss				
	Unlisted equity securities	827,234	827,131	814,523	814,523
	Listed equity securities available for sale	-	889,435	-	-
	Total	827,234	1,716,566	38,015,002	38,015,002

The parent entity, Bega Cheese, incorporated in Australia, purchased a 70% interest in Tatura Milk, also incorporated in Australia on 23 April 2007. Further details of this are given in note 25.

At 30 June 2007 and 2008, Bega Cheese held 658,671 shares in Australian Co-operative Foods Limited and 159,626 shares in Dairy Farmers Milk Co-operative Limited. Bega Cheese has accounted for these investments at $1.00 per share, being in line with the historical cost and redemption value. This accounting treatment reflects the fact that both entities are co-operatives in which shares can generally only be redeemed for $1.00 per share.

Prior to 30 June 2008, the Board of Australian Co-operative Foods Limited announced that it was investigating a "Liquidity Event" and had called for proposals from parties interested in taking over the co-operative. However, as at 30 June 2008, the Board of Australian Co-operative Foods Limited had not finalised its investigations.

On 25 August 2008, Australian Co-operative Foods Limited announced a proposal from National Foods to acquire 100% of the shares in the entity for a cash consideration of $5.65 per share. The Board of both Australian Co-operative Foods Limited and Dairy Farmers Milk Co-operative Limited have unanimously recommended the National Foods proposal subject to:

- the absence of a superior offer;
- an independent expert's report determining that the National Foods proposal is in the best interest of shareholders; and
- Dairy Farmers Milk Co-operative Limited entering into revised milk supply contracts.

In addition, the National Foods proposal is also subject to a postal ballot, requiring the support of more than 75% of active members who vote. Given that the outcomes of the conditions precedent as listed above are uncertain, Bega Cheese cannot assume that the "Liquidity Event" will proceed. Accordingly, Bega Cheese continues to report its investment in both Australian Co-operative Foods Limited and Dairy Farmers Milk Co-operative Limited as at 30 June 2007 and 2008 at $1.00 per share whilst these entities remain co-operatives governed by the NSW Co-operatives Act (1992) as amended.

An impairment loss of $635,000 (2007: $nil) is recognised in the consolidated entity in respect of investments in listed equity securities available for sales and expensed in profit or loss. No impairments are recognised in the Company.

12. Property, plant and equipment

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
Land and buildings				
At cost	50,104,134	50,113,518	26,966,626	26,604,999
Accumulated depreciation	(14,038,699)	(12,162,181)	(10,225,223)	(9,250,465)
Total land and buildings	36,065,435	37,951,337	16,741,403	17,354,534
Plant and equipment				
At cost	233,865,287	229,530,247	89,326,500	84,389,177
Accumulated depreciation	(153,536,588)	(145,102,349)	(52,087,131)	(46,525,889)
Total plant and equipment	80,328,699	84,427,898	37,239,369	37,863,288
Leased assets				
At cost	4,855,520	6,272,024	-	-
Accumulated depreciation	(2,254,350)	(1,822,143)	-	-
Total leased assets	2,601,170	4,449,881	-	-
Total property, plant and equipment	118,995,304	126,829,116	53,980,772	55,217,822

The value of land and buildings of the Company determined in accordance with an independent valuation by John Vestakis AAPI of Aon Valuation Services based on market value for existing use as at 30 June 2008 was $31,275,000.

13. Movements in property, plant and equipment

	Land and buildings at cost $	Plant and equipment at cost $	Leased assets at cost $	Total $
Consolidated				
Period ending 30 June 2008				
Balance at the beginning of the period	37,951,337	84,427,898	4,449,881	126,829,116
Capital expenditure	53,353	8,944,122	-	8,997,475
Disposals	(380,342)	(1,186,435)	(1,141,690)	(2,708,467)
Depreciation	(1,918,211)	(11,031,015)	(707,021)	(13,656,247)
Impairment loss	-	(466,573)	-	(466,573)
Transfers	359,298	(359,298)	-	-
Balance at the end of the financial period	36,065,435	80,328,699	2,601,170	118,995,304
Period ending 30 June 2007				
Balance at the beginning of the period	18,062,208	40,231,574	-	58,293,782
Acquisition through business combination	20,773,099	47,508,236	4,608,848	72,890,183
Capital expenditure	13,843	3,903,754	-	3,917,597
Disposals	(8,875)	(8,004)	-	(16,879)
Depreciation	(1,141,547)	(6,955,053)	(158,967)	(8,255,567)
Transfers	252,609	(252,609)	-	-
Balance at the end of the financial period	37,951,337	84,427,898	4,449,881	126,829,116

During the current year, an impairment loss of $466,573 (2007: $nil) was recognised in the consolidated entity and expensed in profit or loss. The impairment is in respect of a canning line located at Tatura Milk and is based on the recoverable value being reduced to reflect the best estimates of reduced production volumes. No impairments are recognised in the Company.

13. Movements in property, plant and equipment (cont.)

	Land and buildings at cost $	Plant and equipment at cost $	Total $
Company			
Period ending 30 June 2008			
Balance at the beginning of the financial period	17,354,534	37,863,288	55,217,822
Capital expenditure	3,864	5,652,451	5,656,315
Disposals	(768)	(62,600)	(63,368)
Depreciation	(975,525)	(5,854,472)	(6,829,997)
Transfers	359,298	(359,298)	-
Balance at the end of the financial period	16,741,403	37,239,369	53,980,772
Period ending 30 June 2007			
Balance at the beginning of the financial period	18,062,208	40,231,574	58,293,782
Capital expenditure	13,843	3,753,770	3,767,613
Disposals	(8,875)	(8,004)	(16,879)
Depreciation	(965,251)	(5,861,443)	(6,826,694)
Transfers	252,609	(252,609)	-
Balance at the end of the financial period	17,354,534	37,863,288	55,217,822

14. Intangible assets

During the prior year, the Company bought the "Melbourne" brand for packing and distribution of cheese products under this label. The brand is considered to have an indefinite life due to the product life cycle and current market demand. Impairment was further tested by reviewing the revenue and profits of "Melbourne" brand products.

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
Brands	404,640	404,640	404,640	404,640
Total intangible assets	404,640	404,640	404,640	404,640
Movement in intangibles				
Balance at the beginning of the financial period	404,640	-	404,640	-
Additions	-	404,640	-	404,640
Balance at the end of the financial period	404,640	404,640	404,640	404,640

15. Current trade and other payables

Trade payables	63,523,758	48,534,186	39,854,445	33,908,240
Accrued charges and sundry creditors	36,792,196	24,228,718	12,609,736	15,311,286
Amounts owed to Tatura Milk	-	-	4,677,050	3,369,328
Fair value of derivatives	537,012	275,651	537,012	275,651
Total	100,852,966	73,038,555	57,678,243	52,864,505

For further detail on amounts owed to Tatura Milk, see note 25 and note 26. The average credit period on purchases is 30 days from the month the goods are received in except for certain professional fees. No material amounts of interest are charged on late payments.

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $

16. Non-current trade and other payables

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Amounts owed to Tatura Milk	-	-	5,259,688	9,284,532
Other trade payables	450,000	-	-	-
Total	450,000	-	5,259,688	9,284,532

For further detail on amounts payable to Tatura Milk, see note 25 and note 26.

17. Current and non-current borrowings

	Consolidated Full year 2008 $	Consolidated 24 April to 30 June 2007 $	Company Full year 2008 $	Company Full year 2007 $
Current - at amortised cost				
Secured term loans	30,832,045	25,742,881	9,500,000	4,000,000
Finance Lease liabilities	698,694	800,529	-	-
Total	31,530,739	26,543,410	9,500,000	4,000,000
Non-current - at amortised cost				
Secured term loans	25,500,000	21,000,000	9,000,000	-
Finance Lease liabilities	2,235,129	3,942,187	-	-
Total	27,735,129	24,942,187	9,000,000	-

Each of Bega Cheese and Tatura Milk have separate banking facilities. The respective facilities:

- are stand-alone facilities and are not subject to cross-charges or cross-guarantees;
- include normal commercial terms and conditions and particular bank covenants relating to the financial position and performance of the respective entities; and
- are subject to separate equitable mortgages and floating charges over all the assets and undertakings of the respective entities.

Further information as to the financial instruments relating to the facilities is set out at note 2.

Finance lease liabilities	Minimum lease payments	Interest	Principal
Finance lease liabilities of the consolidated entity:	$	$	$
As at 30 June 2008			
Less than one year	908,150	209,456	698,694
Between one and five years	2,497,413	262,284	2,235,129
Total	3,405,563	471,740	2,933,823
As at 30 June 2007			
Less than one year	1,145,593	345,064	800,529
Between one and five years	4,567,274	625,087	3,942,187
Total	5,712,867	970,151	4,742,716

The consolidated entity leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term, the consolidated entity has the option to purchase the equipment at market value. The consolidated entity's lease liabilities are secured by the leased assets of $2,601,171 (2007:$4,449,881) as in the event of default, the leased assets revert to the lessor.

18. Provisions

	Consolidated Full year 2008	Consolidated 24 April to 30 June 2007	Company Full year 2008	Company Full year 2007
Employee benefits				
Current	7,802,807	7,801,978	3,059,294	2,188,800
Non-current	2,915,384	3,178,756	2,521,153	2,687,076
Total	10,718,191	10,980,734	5,580,447	4,875,876

The number of employees in the consolidated entity at 30 June 2008 was 856 (2007: 893). The number of employees in the Company as at 30 June 2008 was 551 (2007: 531).

19. Members' shares

Restructure of Bega Cheese

On 23 April 2008, The Bega Co-operative Society Limited was restructured into a Company, Bega Cheese Limited, incorporated under the Corporations Act 2001. Bega Cheese Limited has two classes of ordinary shares; A Class Shares, which are held by suppliers, and B Class Shares if the member has ceased to be a supplier. Voting control of Bega Cheese Limited is conferred on A Class Shares with one vote for each A Class Share held. B Class Shares do not carry any voting rights except for the purposes of voting on a variation of rights attached to B Class Shares. Both classes have rights to dividends and other distributions made on the basis of shares held.

On conversion to the Company, all shareholders of The Bega Co-operative Society Limited were issued with either A Class Shares or B Class Shares in Bega Cheese Limited equal to the number of shares they held in the Company before the restructure. Qualifying ex-members were given the opportunity to purchase B Class Shares under the 5 year "Look Back" provisions in the Co-operatives Act 1992 (as amended). As the Company does not have a right to unconditionally re-purchase the shares, the shares are now classified in equity.

Members' shares before the restructure on 23 April 2008

In accordance with the Co-operatives Act 1992 (as amended) Bega Cheese was required to compulsorily acquire the shares of members in certain circumstances. As Bega Cheese did not have an 'unconditional right to avoid' the buy back of shares, they were classified as liabilities from 1 July 2004 until 23 April 2008. Each member was entitled to one vote. Shares due to be purchased back from former members notified to Bega Cheese before the 2007 year end were $1,066,611. The issue of bonus and levy shares in 2007 represents the allocation agreed by the members at the Annual General Meeting in 2005.

	Consolidated		Company	
	Full year 2008	24 April to 30 June 2007	Full year 2008	Full year 2007
Number of shares				
24,795,805 fully paid ordinary shares (2007 - 22,402,838)	24,795,805	22,402,838	24,795,805	22,402,838
Total	24,795,805	22,402,838	24,795,805	22,402,838

	Consolidated and Company		
	Ordinary Shares $ and number	A Class Shares $ and number	B Class Shares $ and number
Movement in contributed equity by value and number			
Ordinary shares on issue at 1 July 2006	21,731,632	-	-
Subscribed by members	165,023	-	-
Purchased back from former members	(1,336,538)	-	-
Issued as bonus shares	940,362	-	-
Issued as levy shares	902,359	-	-
Ordinary shares on issue at 30 June 2007	22,402,838	-	-
Ordinary shares on issue at 1 July 2007	22,402,838	-	-
Subscribed by members	2,000	-	-
Purchased back from former members	(219,080)	-	-
Converted on restructure to Bega Cheese Limited as at 23 April 2008	(22,185,758)	19,808,070	2,377,688
Purchased by qualifying ex-members	-	-	2,586,047
Subscribed by members	-	24,000	-
Transfers between classes	-	489,093	(489,093)
Ordinary shares on issue at 30 June 2008	-	20,321,163	4,474,642

A and B Class Shares may only be transferred to other members and any transfer is approved by the Board at its absolute discretion. If A Class shares are transferred to a member who is not a supplier, they will be converted to B Class Shares, by resolution of the Board. If B Class Shares are transferred to a member who is a supplier, they may be converted to A Class Shares by resolution of the Board.

As at 30 June 2008, Tatura Milk held 2,000 shares in Bega Cheese Limited (2007: nil, due to the share register being closed).

20. Retained earnings and reserves

	Consolidated		Company	
	Full year 2008 $	24 April to 30 June 2007 $	Full year 2008 $	Full year 2007 $
Reserves are made up of:				
Capital profits reserve	40,635,527	40,626,398	32,563,182	32,563,182
Hedging reserve	2,864,824	1,407,889	-	-
Total	43,500,351	42,034,287	32,563,182	32,563,182

The capital profits reserve is held to maintain adequate equity balances in the business. The hedging reserve reflects movements unrecognised in the profit and loss in relation to the effective portion of cash flow hedges.

Movement in retained earnings and reserves

	Retained Earnings $	Capital/General Reserve $	Hedging Reserve $	Total Reserves $
Consolidated				
Balance as at 23 April 2007	25,524,612	32,544,760	-	32,544,760
Net profit attributable to members of the parent entity	11,988,149	-	-	-
Issuance of bonus shares	(940,362)	-	-	-
Issuance of levy shares	(902,359)	-	-	-
Distribution to former members in lieu of shares	(64,415)	-	-	-
Transfer (to)/from capital reserve	(18,422)	18,422	-	18,422
Revaluation of fair value derivatives	-	-	1,736,909	1,736,909
Transactions relating to the minority interest	-	8,063,216	(329,020)	7,734,196
Balance as at 30 June 2007	35,587,203	40,626,398	1,407,889	42,034,287
Balance as at 1 July 2007	35,587,203	40,626,398	1,407,889	42,034,287
Net profit attributable to members of the parent entity	27,842,858	-	-	-
Dividend paid or proposed	(1,774,901)	9,129	-	9,129
Revaluation of fair value derivatives	-	-	2,081,336	2,081,336
Transactions relating to the minority interest		-	(624,401)	(624,401)
Balance as at 30 June 2008	61,655,160	40,635,527	2,864,824	43,500,351
Company				
Balance as at 1 July 2006	25,524,612	32,544,760	-	32,544,760
Net profit attributable to members of the parent entity	6,671,714	-	-	-
Issuance of bonus shares	(940,362)	-	-	-
Issuance of levy shares	(902,359)	-	-	-
Distribution to former members in lieu of shares	(64,415)	-	-	-
Transfer (to)/from capital reserve	(18,422)	18,422	-	18,422
Balance as at 30 June 2007	30,270,768	32,563,182	-	32,563,182
Balance as at 1 July 2007	30,270,768	32,563,182	-	32,563,182
Net profit attributable to members of the parent entity	14,087,357	-	-	-
Dividend paid or proposed	(1,774,901)	-	-	-
Balance as at 30 June 2008	42,583,224	32,563,182	-	32,563,182

21. Dividends to members

In accordance with A-IFRS, dividends paid in the prior year are classified as borrowing costs, to be consistent with the treatment of the underlying financial instrument. For details, see note 19.

	Consolidated and Company	
	Full year 2008 $	Full year 2007 $
Recognised amounts		
2007 Final dividend of 8.0 cents (2006 - 7.0 cents)	1,774,901	1,445,361
2007 Special dividend of nil (2006 - 8.0 cents)	-	1,651,841
Total	1,774,901	3,097,202
Unrecognised amounts		
2008 Final dividend of 10.0 cents (2007 - 8.0 cents)	2,479,581	1,738,026
Total	2,479,581	1,738,026
Value of the dividend franking account	53,984	53,984

Before payment of the dividends declared in 2007 and 2008, additional members became entitled to the distributions which increased the total paid. All dividends paid and payable in the current and prior years were not franked.

The following dividends were paid/payable to the minority interest by Tatura Milk, the controlled entity:

	Cents per share	Total amount	Franked/ Unfranked	Date of payment
Declared and paid during the year				
2008				
Quarterly distribution	25.0	2,779,478	Unfranked	28 September 2007
Quarterly distribution	25.0	2,812,180	Unfranked	28 September 2007
Completion distribution	100.0	11,230,673	Unfranked	23 January 2008
Quarterly distribution	25.0	2,774,593	Unfranked	30 March 2008
Total		19,596,924		
Proposed and unpaid				
2008				
Year end distribution		3,474,719	Unfranked	10 July 2008
Year end distribution		4,667,050	Unfranked	30 June 2009
Year end distribution		5,259,688	Unfranked	30 June 2010
		13,401,457		
Declared and paid during the year				
2007				
Final preference	7.5	957,038	Unfranked	29 September 2006
Quarterly distribution	25.0	2,779,954	Unfranked	29 June 2007
		3,736,992		

22. Contingent liabilities, guarantees and warranties

The consolidated entity provides warranties for products it supplies to customers in the ordinary course of business on reasonable commercial terms. No material warranty claims have arisen since 30 June 2008 which result in the need to raise additional liabilities of the consolidated entity as at 30 June 2008.

23. Leases and commitments for expenditure

Operating lease commitments

Operating leases held by Bega Cheese relate to equipment with lease terms of up to six years and no option to extend. Bega Cheese does not have an option to purchase the leased asset at the expiry of the lease period. The additional leases included in the consolidated entity relate to motor vehicle operating leases and warehouse rental. The motor vehicle leases typically run for a period of one to five years with an option to renew the lease after this date. The warehouse lease has a renewal and purchase option exercisable within one year. Finance lease liabilities are disclosed in note 17.

	Consolidated		Company	
	Full year 2008	24 April to 30 June 2007	Full year 2008	Full year 2007
	$	$	$	$
Non-cancellable operating lease payments				
Plant and machinery				
Within one year	672,899	650,305	344,860	540,001
Between one and five years	653,344	1,266,139	631,116	1,167,524
Over five years	2,134	9,106	2,134	9,106
Land buildings				
Within one year	-	595,745	-	-
Between one and five years	-	258,156	-	-
Total	1,328,377	2,779,451	978,110	1,716,631
Non-cancellable operating lease receivables				
Between one and five years	160,000	154,500	160,000	154,500
Total	160,000	154,500	160,000	154,500
Capital expenditure - within one year				
Plant and equipment	6,489,338	1,685,761	731,917	1,506,039

24. Joint venture

Bega Cheese holds a 25% interest in the output of Capitol Chilled Foods (Australia) Pty Ltd, the management company responsible for operating the joint venture. The principal activity of the joint venture is liquid milk and chilled food distribution. Bega Cheese's interest in assets employed in the joint venture is detailed below. The amounts are included in the financial statements under their respective asset categories:

Current assets				
Cash	53,627	55,366	53,627	55,366
Trade and other receivables	1,444,636	1,325,540	1,444,636	1,325,540
Inventories	159,649	174,565	159,649	174,565
Total current assets	1,657,912	1,555,471	1,657,912	1,555,471
Non-current assets				
Property, plant and equipment	436,503	466,387	436,503	466,387
Total assets	2,094,415	2,021,858	2,094,415	2,021,858
Current accounts payable	705,931	868,299	705,931	868,299
Total liabilities	705,931	868,299	705,931	868,299
Net assets	1,388,484	1,153,559	1,388,484	1,153,559

No contingent liabilities arose from the consolidated entity's interest in the joint venture. The capital commitments arising from the consolidated entity's interest in the joint venture are included within note 23.

25. Acquisition of business

On 23 April 2007, Bega Cheese acquired a 70% interest in Tatura Milk, with the existing Tatura Milk shareholders retaining the remaining 30%. The principal activities of Tatura Milk are the manufacture and sale of butter, milk powder, cream cheese, infant powder, milk protein concentrate and other specialised powder and milk products.

	Tatura Milk		
As at 23 April 2007	Book Value	Fair value adjustments	Fair value on acquisition
	$	$	$
Current assets			
Trade and other receivables	39,767,754	(140,616)	39,627,138
Inventories	37,507,727	940,111	38,447,838
Total current assets	77,275,481	799,495	78,074,976
Non-current assets			
Investments	1,207,221	348,000	1,555,221
Property, plant and equipment	73,889,194	(999,011)	72,890,183
Total non-current assets	75,096,415	(651,011)	74,445,404
Total assets	152,371,896	148,484	152,520,380
Current liabilities			
Trade and other payables	23,310,994	-	23,310,994
Borrowings	27,039,664	-	27,039,664
Provisions	4,693,294	-	4,693,294
Total current liabilities	55,043,952	-	55,043,952
Non-current liabilities			
Borrowings	30,232,924	-	30,232,924
Deferred tax liabilities	1,033,380	44,545	1,077,925
Provisions	799,993	-	799,993
Total current liabilities	32,066,297	44,545	32,110,842
Total liabilities	87,110,249	44,545	87,154,794
Minority interests	(19,578,494)	(31,182)	(19,609,676)
Net assets	45,683,153	72,757	45,755,910

The initial accounting for the acquisition of Bega Cheese's share in Tatura Milk has been confirmed as unchanged from the amounts provisionally determined at 30 June 2007.

The cost of the acquisition of $37,200,479 comprises cash of approximately $38,760,006 plus transaction costs of $422,478 net of discounting of $1,982,005 calculated using an average market rate of 6.2%. To date, $28,182,484 (2007: $24,546,619) has been paid with $9,935,738 (2007: $14,635,865) due over the next two years, net of discounting. The gross amounts owing to Tatura Milk are due as follows: $5,000,000 on 30 June 2009 and $6,000,000 on 30 June 2010. These payments due, net of interest discounting, are included in the amounts owed to the minority interest. Movements in the discounting are included in the income statement within finance costs.

Bega Cheese recorded a discount on acquisition of $8,555,431, for the period ending 30 June 2007 being the difference between the fair value of assets acquired and the fair value of consideration paid.

Included in the consolidated net profit for the period is a profit of $14,155,127 (2007: loss of ($4,458,227) attributable to the results of Tatura Milk. Had the business combination been effected at 1 July 2006, the revenue of the consolidated entity for the period ending 30 June 2007 would be $541,956,972 and the loss for the same period would be ($1,200,576).

On acquisition, Bega Cheese acquired a 70% interest in Tatura Milk and undertakings were given to the Directors and members of Tatura Milk that the minority would retain 30%. During the year ended 30 June 2008, a number of redeemable preference shareholders in Tatura Milk exited the business and the shares held by the members were compulsorily purchased by Tatura Milk under the constitution. As a result, the minority interest fell to 28% by 30 June 2008. Bega Cheese has not consolidated the additional 2% into the financial statements as a Tatura Milk redeemable preference share repurchase scheme is due to be introduced in 2009 which will enable the redeemable preference shareholders to retain a 30% equity interest.

26. Related party disclosures

(a) Terms and conditions of related party transactions

Transactions between the consolidated entity and related parties during the year ended 30 June 2008 were conducted on normal commercial terms and conditions.

During the period the Company had the following transactions with Tatura Milk :

	Sales to Tatura Milk		Purchases from Tatura Milk	
	Full year 2008	24 April to 30 June 2007	Full year 2008	24 April to 30 June 2007
	$	$	$	$
Dairy products	679,574	-	11,133,222	232,076
Management fees	-	-	1,354,461	-

The following balances arising from transactions between the Company and Tatura Milk are outstanding at reporting date:

- Receivables are included in trade and other receivables of $86,303 (2007 - $nil).
- Payables are included in trade and other creditors of $1,296,908 (2007 - $nil).
- Deferred consideration of $9,936,738 (2007 - $12,653,860).

During the period the consolidated entity had the following transactions with its joint venture:

	Consolidated		Company	
	Full year 2008	24 April to 30 June 2007	Full year 2008	Full year 2007
	$	$	$	$
Sales	8,082,168	14,147,310	8,082,168	14,147,310

Bega Cheese also rented property, plant and equipment to the joint venture on normal commercial terms.

(b) Key management remuneration

This is disclosed in note 5.

(c) Transactions with directors

The current directors each owned equity shares and supplied milk to Bega Cheese on normal commercial terms and conditions during the year.

27. Notes to the cash flow statement

For the purpose of the cash flow statement, cash includes cash on hand, in banks and investments in money market instruments, net of outstanding bank overdrafts.

	Consolidated		Company	
	Full year 2008	24 April to 30 June 2007	Full year 2008	Full year 2007
(a) Reconciliation of cash and cash equivalents				
Cash	11,416,009	10,237,574	8,626,688	5,060,827
Total	11,416,009	10,237,574	8,626,688	5,060,827
(b) Financing facilities				
Amount used	59,687,131	46,323,376	18,500,000	4,000,000
Amount unused	54,246,692	69,419,340	24,500,000	39,000,000
Total	113,933,823	115,742,716	43,000,000	43,000,000
(c) Reconciliation of profit for the period to net cash flows from operating activities				
Profit after income tax	33,909,341	10,746,559	14,087,357	6,671,714
Adjustments for non-cash items				
Depreciation of non-current assets	13,656,247	8,255,567	6,829,997	6,826,694
Impairment of assets	466,573	-	-	-
Write down of investment	635,000	-	-	-
Loss/(profit) on sale of				
property, plant and equipment	(130,519)	(46,533)	16,068	(29,533)
investment	6,119	(2,411)	-	(2,185)
Interest income received and receivable	(923,329)	(1,086,897)	(458,080)	(995,796)
Interest payable on leases	287,568	-	-	-
Dividend receivable	(802)	(69)	-	(67)
Decrease/(increase) in other tax balances	2,777,059	9,848,551	5,301,554	(743,835)
Discount on deferred consideration	894,846	-	918,743	-
Gain on acquisition of business	-	(8,555,431)	-	-
Changes in provisions for doubtful debts	(162,603)	(22,578)	(329,030)	(22,578)
Changes in provision for stock obsolescence	2,620,176	(2,108,173)	605,512	332,571
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Trade and other debtors and GST recoverable	(19,934,861)	5,353,615	(8,934,220)	(655,858)
Inventories	(55,573,763)	1,358,727	(23,993,444)	(4,106,437)
Prepayments	289,161	(778,758)	(759,088)	25,757
Increase/(decrease) in liabilities:				
Trade creditors	15,439,572	11,865,982	5,946,205	12,597,582
Accrued expenses and sundry creditors	12,563,480	(14,196,442)	(2,701,550)	8,202,707
Changes to provisions	(262,543)	1,778,787	704,571	1,167,216
Net cash flows from operating activities	6,556,722	22,410,496	(2,765,405)	29,267,952