

BELLAMY'S AUSTRALIA LIMITED

ABN 37 124 272 108

ASX (Appendix 4E)

Preliminary Final Report

For the Year Ended 30 June 2015

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

BELLAMY'S AUSTRALIA LIMITED

Results for Announcement to the Market For the year ended 30 June 2015

Consolidated Entity	30 June 2015 \$'000	30 June 2014 \$'000	Period movement up/(down)
Revenue**	125,302	48,896	156%
Profit from ordinary activities after tax attributable to members	9,073	1,266*	617%
Net Profit attributable to members	9,073	1,266*	617%

*includes one off cash bonuses accrued to 30 June 2014 paid to senior executives and directors as disclosed in the Prospectus.

** Gross sales for the group were \$131.7m and net revenues after trading rebates were \$125.3m. During the year, Bellamy's changed the accounting treatment of its trading rebates with major retailers to be in line with industry peers. The comparatives for year ended 30 June 2014 have been adjusted accordingly. There is no change to profit as a result.

Dividends (Ordinary Shares)	Record date	Amount per Security	Franked Amount per Security
Interim Dividend		Nil	Nil
Final Dividend	1 September 2015	2.86c	2.86c

*The financial effect of the Final Dividend in respect of the current reporting period will be recognised in the next reporting period because it has been declared subsequent to 30 June 2015. The payment date will be 30 September 2015.

Commentary on Results

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

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

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

Revenue

Gross sales for the group were \$131.7m and net revenues after trading rebates were \$125.3m. During the year, Bellamy's changed the accounting treatment of its trading terms with major retailers to be in line with industry peers. As a result, the company this year has disclosed gross revenues and net revenue after allowing for trading rebates.

Net revenue growth of 156% since FY2014 has been achieved by increasing distribution of the Bellamy's products in its selected markets. Bellamy's produces 50 unique Australian made and organic certified products, including infant formula, toddler milk, snacks, cereals, pastas and 'ready to eat' pouches. Formula comprises approximately 88% of Bellamy's sales.

Australia continues to be the engine room of the business, contributing to 85% of net revenue in FY2015.

Gross Profits

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

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

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

Distribution and Selling Costs

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

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

Costs of Doing Business

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

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

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

This year we have been able to continue to reduce the employment costs as a percentage of revenue, building on the reductions achieved in FY2014.

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

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

Cash Flow

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

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

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

In August 2014, Bellamy's raised \$23.4m in capital on the listing of the company on the Australian Securities Exchange (net of institutional placement costs). The purpose of these funds was to support the growth of the business via improved working capital capacity, marketing and expanding the product range. During the year, this capacity has given the business confidence to explore supply chain opportunities and commit to improving operational support for its markets.

Dividends

The Directors declared a final fully franked dividend of 2.86 cents per share (2014: Nil). The record date for this dividend is 1 September 2015 and payment date is 30 September 2015.

Net Tangible Assets

The below table shows the Net Tangible Assets of the consolidated group as at 30 June 2015 compared to 30 June 2014.

Net tangible assets per security	30 June 2015	30 June 2014
Net assets (\$'000)	48,911	15,592
Net tangible assets (\$'000)	48,807	15,364
Net assets per security (cents)	51.5	22.3
Net tangible assets per security (cents)	51.4	21.9

Status of Audit

This preliminary financial report is based on accounts that are in the process of being audited and there are no areas of likely audit dispute or audit qualification.

Annual General Meeting

The AGM will be held in Launceston on Tuesday 20 October 2015.

BELLAMY'S AUSTRALIA LIMITED

Consolidated statement of profit and loss and other comprehensive income For the year ended 30 June 2015

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

The accompanying notes form part of these financial statements.

BELLAMY'S AUSTRALIA LIMITED

Consolidated statement of financial position As at 30 June 2015

	Note	2015 \$000	2014 \$000
ASSETS			
CURRENT ASSETS			
Cash		32,035	4,434
Receivables	5	20,867	6,443
Current tax assets		-	125
Inventories	6	17,148	7,737
Financial assets		217	244
Other (includes prepaid raw materials)		407	2,695
TOTAL CURRENT ASSETS		<u>70,674</u>	<u>21,678</u>
NON-CURRENT ASSETS			
Property, plant and equipment		617	553
Intangibles – product development		104	228
Deferred tax assets		1,016	331
TOTAL NON-CURRENT ASSETS		<u>1,737</u>	<u>1,112</u>
TOTAL ASSETS		<u>72,411</u>	<u>22,790</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		19,109	6,514
Borrowings		108	184
Provisions		179	96
Current tax liabilities		3,664	-
TOTAL CURRENT LIABILITIES		<u>23,060</u>	<u>6,794</u>
NON-CURRENT LIABILITIES			
Borrowings		130	212
Provisions		69	47
Deferred tax liabilities		241	145
TOTAL NON-CURRENT LIABILITIES		<u>440</u>	<u>404</u>
TOTAL LIABILITIES		<u>23,500</u>	<u>7,198</u>
NET ASSETS		<u>48,911</u>	<u>15,592</u>
EQUITY			
Issued capital		39,655	15,756
Reserves		340	(7)
Retained profits / (Accumulated losses)		8,916	(157)
TOTAL EQUITY		<u>48,911</u>	<u>15,592</u>

The accompanying notes form part of these financial statements.

BELLAMY'S AUSTRALIA LIMITED

Consolidated statement of changes in equity For the year ended 30 June 2015

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

The accompanying notes form part of these financial statements.

BELLAMY'S AUSTRALIA LIMITED

Consolidated statement of cash flows For the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		123,418	54,579
Grants received		-	77
Interest received		745	24
Dividends received		4	4
Payments to suppliers & employees		(119,160)	(53047)
Interest paid		(31)	(202)
Income taxes paid		(236)	(662)
NET CASH USED IN OPERATING ACTIVITIES		<u>4,740</u>	<u>773</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds share issue (net of transaction costs)		23,425	4,795
Repayment of borrowings		(217)	(3,630)
Proceeds from borrowings		40	201
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		<u>23,248</u>	<u>1,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds sale property plant & equipment		-	5
Purchases of property, plant & equipment		(267)	(145)
Purchases intangibles		(120)	(228)
NET CASH USED IN INVESTING ACTIVITIES		<u>(387)</u>	<u>(368)</u>
NET INCREASE/(DECREASE) IN CASH HELD		27,601	1,771
Cash at the beginning of the financial year		4,434	2,663
Effects of exchange rate changes		-	-
CASH AT END OF THE FINANCIAL YEAR		<u>32,035</u>	<u>4,434</u>

The accompanying notes form part of these financial statements.

BELLAMY'S AUSTRALIA LIMITED

Notes to the financial statements

For the year ended 30 June 2015

1. REPORTING ENTITY

Bellamy's Australia Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at 30 June 2015 comprises the Company and its subsidiaries (together referred to as the "Group").

2. STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

These consolidated financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

All amounts are presented in Australian dollars, unless otherwise noted. The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting policies

Amendments, if any, to significant accounting policies will be disclosed in the Group's annual financial report for the year ended 30 June 2015.

Segment reporting

For management purposes, the Group is organised into three operating and geographic segments, namely organic branded food operations in Australia, China/Hong Kong and Other/South East Asia. The revenue for geographical segments is determined by the location of retailer/customer in respect of the direct sales. There are no separate reportable divisions within the geographic based segments.

BELLAMY'S AUSTRALIA LIMITED

Notes to the financial statements For the year ended 30 June 2015

3. REVENUE

a. Revenue from continuing operations	2015 \$000	2014 \$000
Gross sales	131,671	52,088
Less trading rebates	(6,369)	(3,192)
Revenue	<u>125,302</u>	<u>48,896</u>
b. Other income		
Grants received	-	77
Dividends received	4	4
Fair value increment – investments	(27)	115
Exchange gains/(losses)	548	(38)
Gain/(loss) on disposal of assets	(4)	-
Other income	<u>424</u>	<u>36</u>
	<u>945</u>	<u>194</u>

4. NET INTEREST EXPENSE

Interest revenue	745	25
Interest expense	<u>(50)</u>	<u>(203)</u>
	<u>695</u>	<u>(178)</u>

5. RECEIVABLES

Current		
Trade debtors (a)	20,343	6,151
Provision for doubtful debts	-	-
Other debtors	<u>524</u>	<u>292</u>
	<u>20,867</u>	<u>6,443</u>

a) Trade debtors - credit risk information

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

6. INVENTORY

Current		
Raw materials & stores at cost	3,117	1,109
Finished goods at cost	<u>14,031</u>	<u>6,628</u>
	<u>17,148</u>	<u>7,737</u>

BELLAMY'S AUSTRALIA LIMITED

Notes to the financial statements For the year ended 30 June 2015

7. GROUP ENTITIES

	Ownership %	
	2015	2014
Bellamy's Australia Limited (Parent)	-	-
Bellamy's Organic Australia Pty Ltd	100	100
Bellamy's Kitchen Pty Ltd – non operating	100	100
Yum Mum Pty Ltd – non operating	100	100
Bellamy's Organic (Hong Kong) Company Ltd	100	100
Bellamy's Organic (South East Asia) Pte Ltd	100	100
Bellamy's Food Trading (Shanghai) Co Ltd	100	100

	2015	2014
	\$000	\$000

a. Fully paid ordinary shares

95,000,392 (2014: 70,000,392)	39,655	15,756
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Fully paid ordinary shares carry one vote per share and carry a right to dividends.

	Number of shares '000	Share capital \$000
Movements in fully paid ordinary shares		
Balance 30 June 2014	70,000	15,796
5 August 2014 –IPO	25,000	23,899
Balance 30 June 2015	95,000	39,655

- i. On 5 August 2014, the company was admitted to the ASX official list, following the issue of 25,000,000 ordinary shares at \$1.00 each pursuant to a Prospectus and Initial Public Offer document dated 4 July 2014. The net proceeds from the share issue was approximately \$23.8m after taking into account capital raising costs of \$1.1m (net of tax). The number of ordinary shares on issue is now 95,000,392.

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

As at 30 June 2015, executives and employees held options over 3,355,748 (2014: 2,200,000) ordinary shares of the Company.

9. EVENTS SUBSEQUENT TO BALANCE DATE

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