

# INTERIM REPORT

ASX (Appendix 4D)  
For the Half-Year Ended 31 December 2015

*A pure start to life!*



# B

BELLAMY'S

**BELLAMY'S AUSTRALIA LIMITED**

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

# Results for Announcement to the Market

## For the half-year ended 31 December 2015

(Previous corresponding reporting period: Half-year ended 31 December 2014)

### 1. Key Information

Consolidated entity	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000	Period movement up/(down) \$'000	Period movement up/(down) %
Revenue	105,143	57,375	47,768	83.3%
EBIT	19,155	4,410	14,745	334.4%
Profit before income tax expense	19,460	4,734	14,726	311.1%
Income tax expense	(5,804)	(1,523)	(4,281)	281.1%
Net profit after income tax expense	13,656	3,211	10,445	325.3%

Dividends	Amount per security cents	Franked amount per security cents
Interim dividend (prior year)	-	-
Final dividend (prior year)	2.86	2.86
Interim dividend declared 18 February 2016 (current year)	4.1	4.1
Record date for determining entitlements	Date	
Interim dividend	26 February 2016	

The interim dividend declared for the current period is in line with the prior year final dividend. The interim dividend will be paid on 23 March 2016.

#### Dividend Reinvestment Plan

On 22 October 2015 the Directors announced the establishment of a Dividend Reinvestment Plan (DRP) to allow eligible shareholders to reinvest part or all of future dividends into new Bellamy's Australia Ltd shares, subject to the terms and rules of the plan. The DRP will be in operation for the current dividend. The last date for return of elections under the DRP is 29 February 2016.

Net tangible assets backing	Half-year ended 31 December 2015	Half-year ended 31 December 2014	Period movement up/(down)	Period movement up/(down)
Basic earnings per share (cents)	14.2	3.6	10.6	294.4%
Diluted earnings per share (cents)	13.9	3.6	10.3	286.1%
Net Assets	63,211	42,967	20,244	47.1%
Net tangible assets	62,939	42,663	20,276	47.5%
Net assets per share (cents)	65.4	45.2	20.2	44.7%
Net tangible assets per share (cents)	65.1	44.9	20.2	45.0%

#### Definitions

Net Tangible Assets = Total equity less goodwill and other intangible assets.

Net Tangible Assets per share - Total equity less goodwill and other intangible assets/ shares on issue.

Net tangible asset backing has increased over the period as net tangible assets have increased (primarily due to trading conditions) while shares on issue have increased by 1,633,962 ordinary shares to 96,634,354 shares on issue (2014: 95,000,392 ordinary shares on issue) as a result of exercise of options.

### 2. Commentary on Results

Refer to the Review of Operations section of the accompanying director's report which forms part of the Appendix 4D half-year report, together with the Company's 2016 half-year results media release.

## Performance highlights

Bellamy's delivered the following performance results in the first half of FY2016:

### REVENUE

↑ **83%**

- gross revenues of \$105.1 million, being an increase of 83% on the prior year period.

### EBIT

↑ **334%**

- earnings before interest and tax (EBIT) of \$19.1 million, being an increase of 334% on the prior year period.

### NPAT

↑ **325%**

- generated net profit after tax (NPAT) of \$13.6 million, being an increase of 325% on the prior year period.







# Consolidated Interim Report

For the half-year ended 31 December 2015

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

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Bellamy's Australia Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# Directors' Report

Your directors present their report on the consolidated entity consisting of Bellamy's Australia Limited ("the Company" or "Bellamy's") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015 as follows:

## Directors

The following persons were directors of Bellamy's Australia Limited during the whole of the half-year and up to the date of this report.

- **Rob Woolley** (Chair)
- **Laura McBain**  
(Managing Director and Chief Executive Officer)
- **Ian Urquhart**
- **Michael Wadley**
- **Launa Inman**





## Message from the Chairman and Managing Director

At our results announcement for our 2015 financial year, we were very clear on our view of the role of Bellamy's in the wider social context.

We believe that there are three basics that every child should have - the love and respect of their parents, a safe and secure home in which to grow up, and healthy, wholesome food to eat.

At Bellamy's, providing healthy, wholesome food to eat, is our core responsibility.

Over the last six months, there has been discussion and debate about domestic access to Australian sourced food, and in particular infant formula. In the organic industry, there has been increased evidence that demand for organic food has in many instances outpaced global supply. For Bellamy's, we have experienced unprecedented demand for our products which meant some mums simply could not find their preferred brand.

The issue actually highlighted several truths.

The first is the recognition that organic food is widely regarded as best in class. Each family who reaches for organic as their first choice do so for different reasons. For some, it's because organic means there are no pesticides used in the food chain and animals are free of antibiotics. For some it's the confidence that there are no GMO. For others, it's because their family prefer the taste of organic food. And sometimes, it's because it's a way of being sure that the grass on which our organic cows feed is protected, the water that runs into our rivers and the trees from which our apples are harvested. At the end of the day, we believe that organic is a better choice because it simply makes sense.

The second truth it highlighted is the opportunity for brand 'Australia' and the confidence that consumers have in the food manufactured in Australia. It has always been our view that Australian manufacturers represent some of the most innovative, capable and smart manufacturers in the world. The quality of the manufacturers we work with is second to none. We know this because of the results from our own internal auditing and quality compliance teams, the verification from independent audits by the organic industry, and the teams at our manufacturing partners. All work tirelessly to ensure we have a safe, clean environment to make our certified organic products.

Another truth it highlighted, was the belief mums, dads, grandparents, aunts, uncles, have in a company called Bellamy's. Bellamy's is created by amazing people who simply believe that we can make a real difference by offering safe, wholesome organic food to create strong, healthy future generations.

Making Bellamy's available to as many as possible has always been part of our vision, and our resolve to achieve this remains unwavering. Our goal and aim is to spread the Bellamy's Organic story as far and wide as we can.

We will continue our reach across Australia

and work with retailers to ensure Australian customers can find our products when and where they need it.

We will continue to spread our wings in China to deliver safe organic products for those that believe in the protection of our environment and the health and well being of future generations.

We will continue to embrace the shifting sands of consumer purchasing through e-commerce which means more and more people can access our products.

We will continue to develop the highest quality infant nutrition products.

We will continue to work with our manufacturing partners to grow and to ensure that we remain best in class.

We will continue to work with our organic farmers and ingredient suppliers from around the world to grow the pool of organic farming and to create a sustainable farming future across many thousands of hectares around the globe.

We will continue to work with Australian farmers to promote the opportunities that organic presents with the aim of developing a strong organic food industry, particularly in dairy.

We will continue to be Bellamy's and do what we are good at - being Australia's most loved and advocated brand for infant nutrition.

As always our thanks to all the babies that love having their Bellamy's every day.

And our thanks to all our shareholders - we will continue to work hard to deliver great outcomes - which is not hard because we love and believe in what we do.







Company Overview

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

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

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

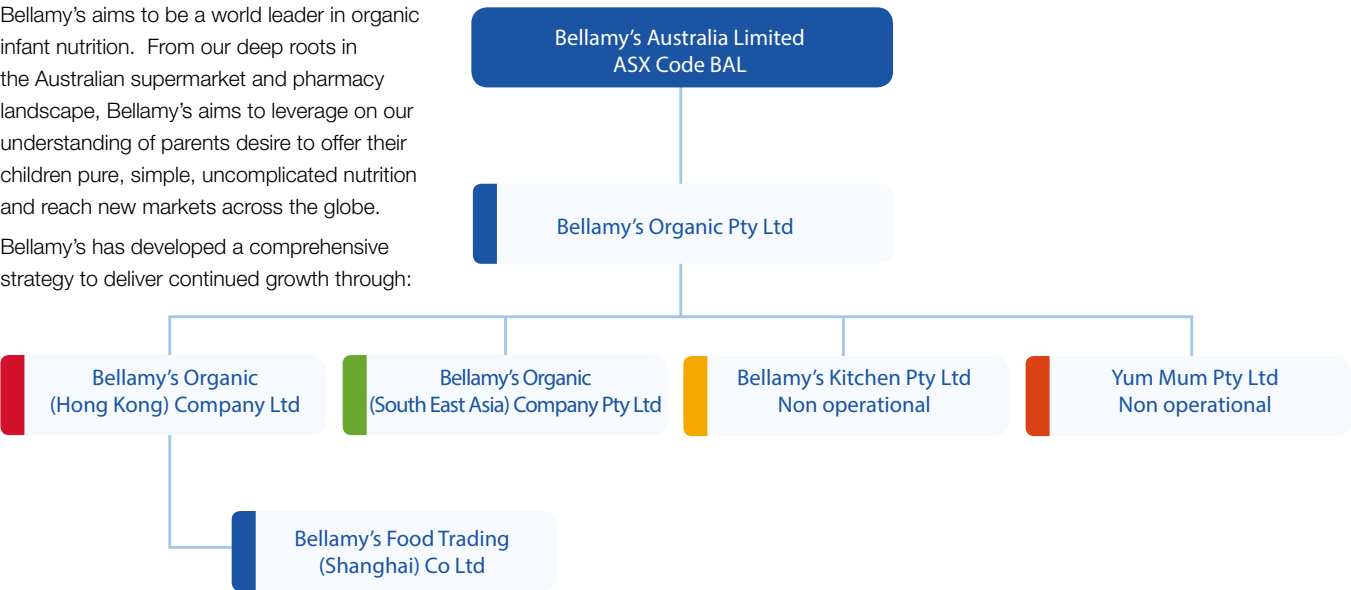
Bellamy's aims to be a world leader in organic infant nutrition. From our deep roots in the Australian supermarket and pharmacy landscape, Bellamy's aims to leverage on our understanding of parents desire to offer their children pure, simple, uncomplicated nutrition and reach new markets across the globe.

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

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

Corporate Structure

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





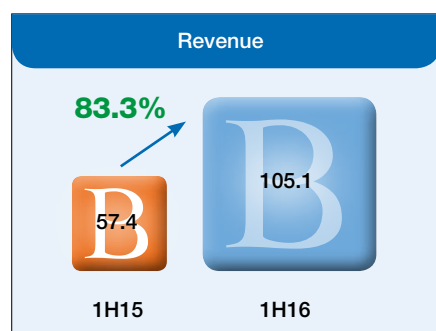
# Directors' Report Continued

## Review of Operations Financial Performance

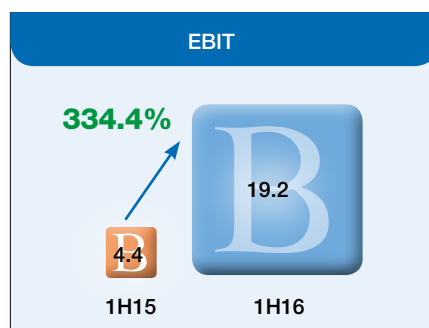
### Results for the First Half 2016

Consolidated entity	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000	Period movement up/(down) \$'000	Period movement up/(down) %
Revenue	105,143	57,375	47,768	83.3%
EBIT	19,155	4,410	14,745	334.4%
Profit before income tax expense	19,460	4,734	14,726	311.1%
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Net profit after income tax expense	13,656	3,211	10,445	325.3%

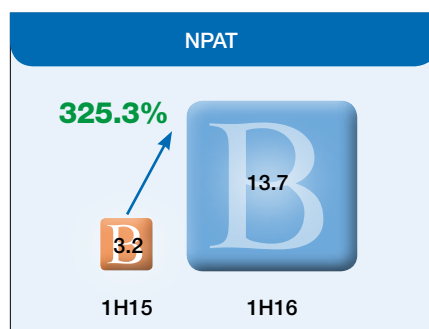
**Revenue** – Increased by 83% since the same period last year to \$105.1 million for 1H FY 2016 (1H FY 2015: \$57.4 million). Revenue growth was driven by increased brand awareness, growth across all retailers and new distribution points with independent retailers in the domestic market and on-line distribution channels.



**EBIT** – Increased by 334% since the same period last year to \$19.2 million for the half-year.



**Net Profit after tax** – increased by 325% since the same period last year to \$13.7 million.



**Gross profit margins of 41.6%** – The gross profit margin for the half-year was up on the 1H 2015 result by 9.5 percentage points (1H 2015 gross profit margin 32.1%). The increase in margin is the result of channel mix, with on-line channels delivering higher gross margins and a price rise in the domestic market which was implemented in December 2015. Bellamy's operations team continues the focus on improving gross profit margins. In our business model we manage and work closely with suppliers and distribution channels to deliver sustainable cost structures within the entire supply chain.

**Cost of doing business as a percentage of revenue** – Bellamy's maintains a focus on managing its costs whilst growing its revenues. Core costs of doing business include marketing, employment and other administration expenses. Since demand for formula has remained high, marketing and promotion activities for formula products were reduced in 1H 2016 as an interim measure. Bellamy's is committed to investing into its strategic growth initiatives ensuring the company is adopting best practice operating systems and has the best resources to leverage as it grows. As a result costs as a percentage of revenue for the half year have remained consistent with the 2015 financial year.

Costs as a % of Revenue	Half-year ended 31 December 2015	Year ended 30 June 2015
Employment Costs	5.0%	4.5%
Marketing Costs	1.8%	2.0%
Other Administrative Costs	4.3%	4.6%





# Directors' Report Continued

Bellamy's is a Tasmanian-based branded food business, offering a range of organic food and formula products for babies and toddlers.

Bellamy's products are all Australian-made and certified organic. This forms the centrepiece of Bellamy's brand appeal and the brand promise of a Pure Start to Life.

Bellamy's receives its revenue primarily from the sale of its products:

- direct to consumer operations (principally supermarkets and pharmacies);
- through distribution agents in offshore jurisdictions (that then on-sell direct to consumer operations); and
- direct to consumers through Bellamy's online stores and online retail platforms.

Bellamy's generates its revenue through the sale of some or all of its products in multiple jurisdictions including Australia, China, Singapore, Hong Kong, Vietnam, Malaysia and New Zealand. Bellamy's has more than 30 products available for consumers, although not all products are sold through all retail distribution channels or in all jurisdictions.

## Our Strategy

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

- expansion into Asian markets by growing distribution networks into new Asian markets and penetrating deeper into existing Asian markets;
- expansion into other new markets by identifying key markets for growth outside of Asia;
- category development outside the Baby category by leveraging Bellamy's brand awareness into range extensions outside the Baby category;
- new products within the Baby category by

continuing to grow the baby proposition and through innovation and product development; and

- full distribution across Australia and expanding the product range and type of distribution outlets within Australia

## Bellamy's in Australia

Bellamy's has continued to execute our strategy for growth in Australia. Over the last 6 months we have experienced unprecedented demand for both our formula and food range, and this is a result of the broad distribution and reach we have achieved at retail level and the growing awareness of our brand.

There has been significant focus on the infant formula market in Australia over the period from 1 July to 31 December 2015, because of strong demand and the resulting constraints on availability of formula in stores. In response, Bellamy's ensured that our online store could support our customers and this resulted in thousands of orders being delivered every week from our warehouse. The support from retailers to ensure products remained on shelf and the limits of purchases per customer helped to manage the unprecedented demand and, as a result, we expect online sales to return to pre-FY2016 levels and products to be widely available through our customers preferred retail stores.

In late November, Bellamy's increased prices to customers in order to manage the cost increases for organic ingredients that Bellamy's had experienced over prior years. Together with the improved efficiencies in our supply chain, this resulted in the Company's improved margin trending toward a more normal industry average.





# Directors' Report Continued



## Bellamy's In Asia

There continues to be strong growth for Australian made and Organic products in Asia, demonstrated by our continued improvement in segment Sales and our growing market share.

Bellamy's T-mall flagship store is now in the top 15 brands for formula. Our flagship store is the formal channel for Bellamy's e-commerce into China, however, there are also multiple traders who purchase products from Australian stores and sell these through e-commerce platforms.

We have continued to increase our sales to retailers across China, through our agency with SIIC and the multiple distributors that support Bellamy's in China. Retailers are also embracing the online phenomena by offering customers a seamless offline to online experience through their own retail platforms.

In South East Asia, we have continued to grow our market share, and of particular note is our success in Singapore where we have doubled our market share to 3% and importantly have outpaced the two competing European organic formula brands in this market through strong branding and distribution presence.

## Production and Operations

Bellamy's production and supply chain team coordinates a complex global organic supply chain to meet the stringent ingredient and production standards demanded by a premium organic food company.

The focus of supply chain management over the last six months has been fulfilling the growing demand for our formula and food range and sourcing high quality organic ingredients for the Bellamy's brand. A key initiative in response to growth in demand and to support continued growth was the announcement of Bellamy's contract manufacturing partnership with Fonterra in December 2015, the financial benefits of these additional volumes expected from early in the 2017 financial year.

To meet the brand's growth opportunities in Organic baby food and organic infant formula, we continue to develop the available sources of ingredients both in Australia and internationally.

## Cash Flow and Working Capital

Cash balances have decreased by \$4.4 million to \$27.7 million as a result of cash flows from operating and financing activities. In October 2015, the company paid a fully franked dividend of \$2.7 million, equivalent to 2.86 cents per ordinary share.

Whilst cash balances have decreased, trade and other receivables have increased by \$14.9 million to \$35.8 million and in turn this has contributed to the growth in net working capital. The increase in trade and other receivables is a result of increased sales revenue, both in terms of volume and as a result of the price rise for formula products implemented in December 2015. The business has also increased its inventory levels to support the increased demand by \$3.0 million.

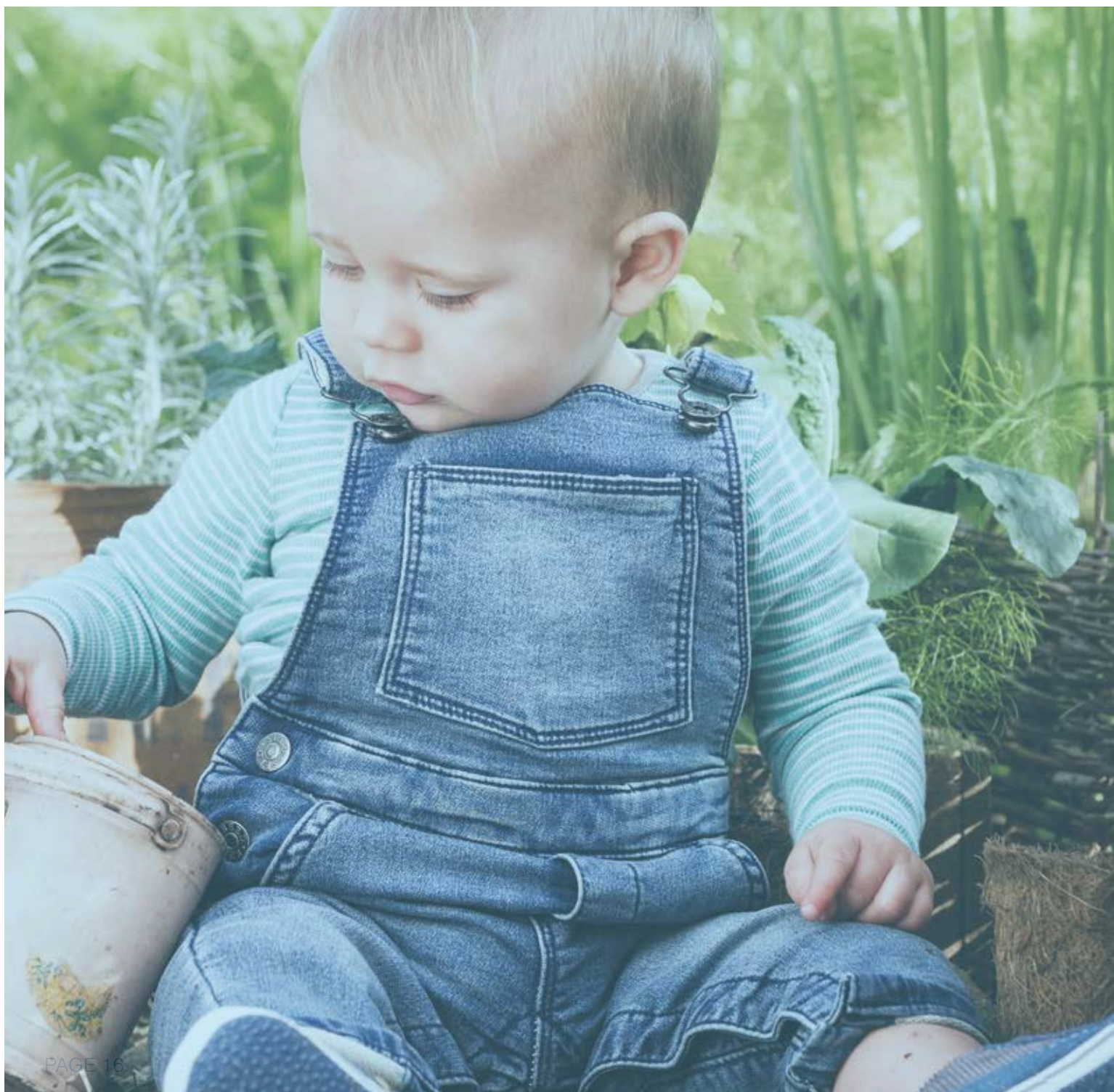
The overall increase in net working capital assets during the period was \$14.1 million.

Bellamy's is committed to ensuring it can deliver consistency of supply as demand increases and, therefore, is committed to ensuring the security of its ingredient supply.

## Outlook

Bellamy's continues to see strong demand for our range of organic foods and formula both domestically and internationally, with baby formula remaining a growing category for premium products in Australia and Asia.

In Australia, we continue to build brand share by deepening our reach in pharmacy, increasing our footprint in stores, and ensuring that customers can always access Bellamy's products whether in their preferred local store or online. Our price increases have rebalanced our gross profit margins in Australia, and the full impacts of these changes will be experienced through the second half of FY2016.



# Directors' Report Continued

Beyond FY2016, there are varying pressures within the market including global ingredient price increases and foreign exchange impacts that could affect our gross profit margins.

The demand for our products in China remains strong, with consumers continuing to access Bellamy's through online channels such as Tmall and JD.com and through our retail footprint in China. There continues to be a flow of Bellamy's into China via Australian retailers, however the support of retailers in limiting this practice has improved accessibility of products for all our customers. It is our view that the demand for products through cross border ecommerce will continue to grow and we are investing resources to fully optimise this opportunity. We will continue to build the offline retail footprint in China through the more than 100,000 mother and baby chain stores, and the thousands of supermarkets across the country.

We are aware that there are potential changes to the regulatory environment in China for cross border transactions and that this may impact some brands. Bellamy's is well positioned to respond to any of these proposed changes, and support the regulatory framework which is designed to both provide Chinese consumers confidence in the food supply chain and ensure the availability of open and transparent information about food and formula.

Our Singapore sales have been an outstanding success, with brand share doubling over the last quarter. Singapore is a competitive market with varied international brands, including two competing organic brands, both of which Bellamy's has significantly eclipsed as brand leader. We are confident that the Bellamy's brand

architecture and the offer of a Pure Start to Life have contributed to this success and we will continue to build on this in coming months.

We remain committed to building our footprint across South East Asia in existing countries we service such as Malaysia and Vietnam, and we continue to develop the opportunities other large countries in that region represent.

To support our sales activities and growth, our supply team remains focused on increasing the availability of organic ingredients for Bellamy's both short term and with longer term view. We have several initiatives underway that ensures that the ongoing demand for Bellamy's will be met, including long term supply agreements for key ingredients. Additionally, we are continuing to explore how we can support conversion of Australian farms to organic and are confident that our story will serve to encourage farmers to take this opportunity.

The announcement of our agreement with Fonterra to produce formula for Bellamy's was an exciting step for Bellamy's to ensure continued growth in our infant formula range. We expect the first deliveries from Fonterra to take place in late FY2016 and therefore the benefit of these additional volumes to be realised in FY2017. We have contracted for additional volumes to be supplied to us from our existing supplier through our existing manufacturer, Tatura Milk Industries, through the second half of FY2016.

Based on current trading trends, and current known and planned supply arrangements, Bellamy's has forecast Group revenue for FY2016 in the range of \$240 million to \$260 million. Bellamy's is committed to investing in its people and operating structures to ensure growth can be maintained on a sustainable basis and, therefore, expects EBIT margin to be broadly in line with the half year results.

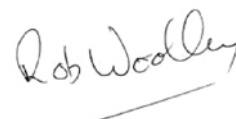
## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

## **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, related to the 'rounding off' of amounts in the directors' report and the financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.



Robert Woolley

**Director**



Laura McBain

**CEO and Managing Director**

Launceston 18 February 2016



# Product Range

Bellamy's produces 44 unique Australian made and organic certified products including infant formula, toddler milk drink, snacks, cereals, pastas and ready to eat pouches.











# Auditor's independence declaration



## **Auditor's Independence Declaration**

As lead auditor for the review of Bellamy's Australia Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Alison Tait'.

Alison Tait  
Partner  
PricewaterhouseCoopers

Melbourne  
18 February 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

	Note	Half-year	
		2015 \$'000	2014 \$'000
Revenue		105,143	57,375
Cost of Sales		(61,402)	(38,934)
Gross Profit		43,741	18,441
Other income		643	522
Direct costs (distribution & other costs)		(13,312)	(8,408)
Employee costs		(5,300)	(2,737)
Marketing & promotion costs		(1,944)	(1,246)
Administrative and other costs		(4,541)	(1,777)
Depreciation, amortisation & impairments		(132)	(118)
IPO Transaction costs		-	(267)
<b>Earnings before net interest and tax (EBIT)</b>		<b>19,155</b>	<b>4,410</b>
Net interest revenue/(expense)		305	324
<b>Profit before income tax</b>		<b>19,460</b>	<b>4,734</b>
Income tax (expense)/benefit		(5,804)	(1,523)
<b>Net profit for the half-year</b>		<b>13,656</b>	<b>3,211</b>
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising from translation of wholly owned foreign entities		(392)	(5)
<b>Total Comprehensive Income for the half-year</b>		<b>13,264</b>	<b>3,206</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		14.2	3.6
Diluted earnings per share (cents)		13.9	3.6

The accompanying notes form part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2015

	Note	31 December 2015 \$'000	30 June 2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		27,697	32,035
Trade and other receivables		35,799	20,867
Inventories		20,185	17,148
Financial assets		389	217
Other assets		370	407
<b>Total current assets</b>		<b>84,440</b>	<b>70,674</b>
<b>Non-current assets</b>			
Property, plant & equipment		992	617
Intangible assets		272	104
Deferred tax assets (net)		918	775
<b>Total non-current assets</b>		<b>2,182</b>	<b>1,496</b>
<b>Total assets</b>		<b>86,622</b>	<b>72,170</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		19,996	19,109
Borrowings		184	108
Provisions		315	179
Current tax liabilities		2,800	3,664
<b>Total current liabilities</b>		<b>23,295</b>	<b>23,060</b>
<b>Non-current liabilities</b>			
Borrowings		-	130
Provisions		116	69
<b>Total non-current liabilities</b>		<b>116</b>	<b>199</b>
<b>Total liabilities</b>		<b>23,411</b>	<b>23,259</b>
<b>Net assets</b>		<b>63,211</b>	<b>48,911</b>
<b>EQUITY</b>			
Issued capital		39,978	39,655
Reserves		3,593	340
Retained profits/(accumulated losses)		19,640	8,916
<b>Total equity</b>		<b>63,211</b>	<b>48,911</b>

The accompanying notes form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Note	Issued capital \$000	Foreign currency translation reserve \$000	Share based payment reserve \$000	Retained earnings \$000	Total equity \$000
<b>Balance at 1 July 2014</b>		15,756	(13)	6	(157)	15,592
Profit for the half year		-	-	-	3,211	3,211
Other comprehensive income		-	(5)	-	-	(5)
<b>Total comprehensive income</b>		-	(5)	-	3,211	3,206
Issue of shares		23,899	-	-	-	23,899
Dividends		-	-	-	-	-
Share based payments		-	-	270	-	270
<b>Balance at 31 December 2014</b>		39,655	(18)	276	3,054	42,967
<b>Balance at 1 July 2015</b>		39,655	(159)	499	8,916	48,911
Profit for the half year		-	-	-	13,656	13,656
Other comprehensive income		-	(182)	-	(210)	(392)
<b>Total comprehensive income</b>		-	(182)	-	13,446	13,264
Issue of shares		323	-	-	-	323
Dividends		-	-	-	(2,722)	(2,722)
Share based payments		-	-	3,435	-	3,435
<b>Balance at 31 December 2015</b>		39,978	(341)	3,934	19,640	63,211

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

Note	Half year	
	2015 \$000	2014 \$000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	90,638	50,512
Cash payments to suppliers and employees	(87,952)	(60,862)
Cash generated from operations	2,686	(10,350)
Interest received	311	365
Other revenue	7	-
Dividends received	2	2
Interest paid	(6)	(32)
Income taxes paid	(4,234)	(289)
<b>Net cash inflow (outflow) from operating activities</b>	(1,234)	(10,304)
<b>Cash flows from investing activities</b>		
Proceeds sale property plant & equipment	-	-
Purchases of property plant & equipment	(487)	(142)
Purchases of intangibles	(188)	(115)
<b>Net cash (outflow) inflow from investing activities</b>	(675)	(257)
<b>Cash flows from financing activities</b>		
Proceeds from share issue	323	23,160
Repayment of borrowings	(54)	(130)
Proceeds from borrowings	-	40
Dividends paid to company's shareholders	(2,722)	-
<b>Net cash inflow (outflow) from financing activities</b>	(2,453)	23,070
<b>Net increase / (decrease) in cash equivalents</b>	(4,362)	12,509
Cash and cash equivalents at the beginning of the half-year	32,035	4,434
Effect of exchange rate changes on cash and cash equivalents	24	-
<b>Cash and cash equivalents at end of the half-year</b>	27,697	16,943

# Notes to the consolidated financial statements

For the half year ended 31 December 2015

## 1 Segment information

### (a) Description of segments

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

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

- i) Australia - revenues derived from sales to retailers within Australia
- ii) China/Hong Kong - revenue primarily derived from sales to the Chinese distributor and online sales to Chinese customers.
- iii) Other Export - sales to other distributors and retailers, predominantly in South East Asia.

### (b) Segment information provided to Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2015 is as follows:

<b>Half-year 2015</b>	<b>Domestic \$'000</b>	<b>China/ Hong Kong \$'000</b>	<b>Other Export \$'000</b>	<b>Group Total Half-year 2015 \$'000</b>
Revenue from external customers	89,751	13,925	1,466	105,143
Other revenue	173	269	201	644
Total segment revenue	89,924	14,194	1,667	105,787
EBIT	13,163	6,041	(49)	19,155
Net financing revenue/(costs)	305	-	-	305
Profit before tax	13,468	6,041	(49)	19,460
Total segment assets - 31 December 2015	55,139	2,085	783	58,007
Total segment liabilities - 31 December 2015	19,650	644	147	20,441
<b>Half-year 2014</b>				
Revenue from external customers	49,785	6,964	626	57,375
Other revenue	60	147	317	523
Total segment revenue	49,845	7,111	943	57,899
EBIT	2,976	1,266	168	4,410
Net financing revenue/(costs)	324	-	-	324
Profit before tax	3,300	1,266	168	4,734
Total segment assets - 30 June 2015	37,343	1,099	918	39,360
Total segment liabilities - 30 June 2015	19,744	2,540	489	22,773



Notes to the consolidated financial statements Continued

For the half year ended 31 December 2015

**Reconciliation of segment assets and liabilities**

	Domestic \$'000	China/ Hong Kong \$'000	Other Export \$'000	Group Total Half-year 2015 \$'000
<b>31 December 2015</b>				
Segment assets	55,139	2,085	783	58,007
Unallocated				
Cash and cash equivalents				27,697
Deferred tax assets (net)				918
Total assets				86,622
Segment liabilities	19,205	644	147	19,996
Unallocated				
Provisions (employee benefits)				431
Borrowings				184
Current tax liabilities				2,800
Total liabilities				23,411
<b>30 June 2015</b>				
Segment assets	37,343	1,099	918	39,360
Unallocated				
Cash and cash equivalents				32,035
Deferred tax assets (net)				774
Total assets				72,169
Segment liabilities	19,744	2,540	489	22,773
Unallocated				
Provisions (employee benefits)				248
Borrowings				238
Total liabilities				23,259

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

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

**2 Profit for the half-year**

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

**Expenses**

Adjustment of inventory to Net Realisable Value (NRV)  
IPO transaction costs

Half-year	
2015 \$'000	2014 \$'000
-	738
-	267

**3 Income tax**

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2015 is 29.8%, compared to 32.0% for the six months ended 31 December 2014.

# Notes to the consolidated financial statements Continued

For the half year ended 31 December 2015

## 4 Equity securities issued

### Issue of ordinary shares during the half year

Issue of ordinary shares - public float\*

Exercise of options issued under the Bellamy's

Australia Limited employee option plan

	Half-year		Half-year	
	2015 Shares	2014 Shares	2015 \$	2014 \$
Issue of ordinary shares - public float*	-	25,000,000	-	25,000,000
Exercise of options issued under the Bellamy's Australia Limited employee option plan	1,633,962	-	323,335	-
	1,633,962	25,000,000	323,335	25,000,000

\* Bellamy's Australia Limited (ASX: BAL) was admitted to the ASX official list effective 5 August 2014, following the issue of 25,000,000 ordinary shares at \$1.00 each pursuant to a Prospectus and Initial Public Offer document dated 4 July 2014. The net proceeds from the share issue for the half year was \$23,899,000 after taking into account capital raising costs of \$1,101,000 (net of tax) for the half year.

On 3 September 2015, 1,633,962 options granted to executives and employees on 26 June 2014 were exercised and converted to ordinary shares of the Company. 293,333 options of this original grant were forfeited as a result of an eligible employee ceasing employment with the Company, and a further 272,705 options were foregone as result of cashless exercise. The number of ordinary shares on issue is now 96,634,354 (2014: 95,000,392).

As at 31 December 2015, executives and employees held options over 2,345,712 (2014: 2,200,000) ordinary shares of the Company.

## 5 Dividends

### (a) Ordinary Shares

Dividends provided for or paid during the half-year

### (b) Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year, the Directors have recommended the payment of an interim dividend of 4.1 cents per fully paid ordinary share (2014: nil), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 23 March 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the end of the half-year is \$3.9 million.

Half-year	
2015 \$'000	2014 \$'000
2,722	-

## 6 Contingencies

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

## 7 Related party transactions

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

No Director has entered in to a material contract with the Company or Group during the half-year and there were no material contracts involving Director's interests existing at period end.

# Notes to the consolidated financial statements Continued

For the half year ended 31 December 2015

## 8 Events occurring after the reporting period

There are no matters to report subsequent to the end of the half-year.

## 9 Basis of preparation of half year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim financial Reporting and the Corporations Act 2001*.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Bellamy's Australia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

### (a) New accounting standards and interpretations

The half year financial statements have been prepared on the basis of accounting policies consistent with those applied in the 30 June 2015 annual report, with the exception of the following new accounting standards and interpretations which became effective from 1 July 2015:

- i) 2010 - 2012 Annual Improvements Cycle
- ii) 2011 - 2013 Annual Improvements Cycle
- iii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements however it is not expected to have a significant impact on the results of the Group.

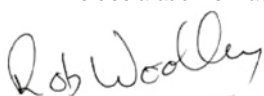
At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

## Directors' declaration

In the directors' opinion:

- a) The financial statements and notes set out on pages 22 to 29 are in accordance with the *Corporations Act 2001*, including:
  - I. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - II. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date and
- b) there are reasonable grounds to believe that Bellamy's Australia Limited will be able to pay its debts as and when they become due and payable.

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



**Robert G. Woolley**  
DIRECTOR



**Laura McBain**  
DIRECTOR  
Launceston  
18 February 2016



# Independant Auditor's Review



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Bellamy's Australia Limited (the company), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Bellamy's Australia Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bellamy's Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

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

# Independant Auditor's Review Continued



## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bellamy's Australia Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Alison Tait'.

Alison Tait  
Partner

Melbourne  
18 February 2016



# B BELLAMY'S

Bellamy's Australia Limited  
ABN 37 124 272 108

## **Offices and Officers**

### **Principal registered office & Principal administration office**

Bellamy's Australia Limited  
115 Cimitiere Street  
Launceston TAS 7250

T: (03) 6332 9200  
[bellamysaustralia.com.au](http://bellamysaustralia.com.au)

### **Company secretary**

Mr Brian Green

### **Location of share registry**

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne VIC 3000