BEGA CHEESE LIMITED

2019 ANNUAL REPORT

The Great
Australian
Food Company

Contents

Performance Highlights

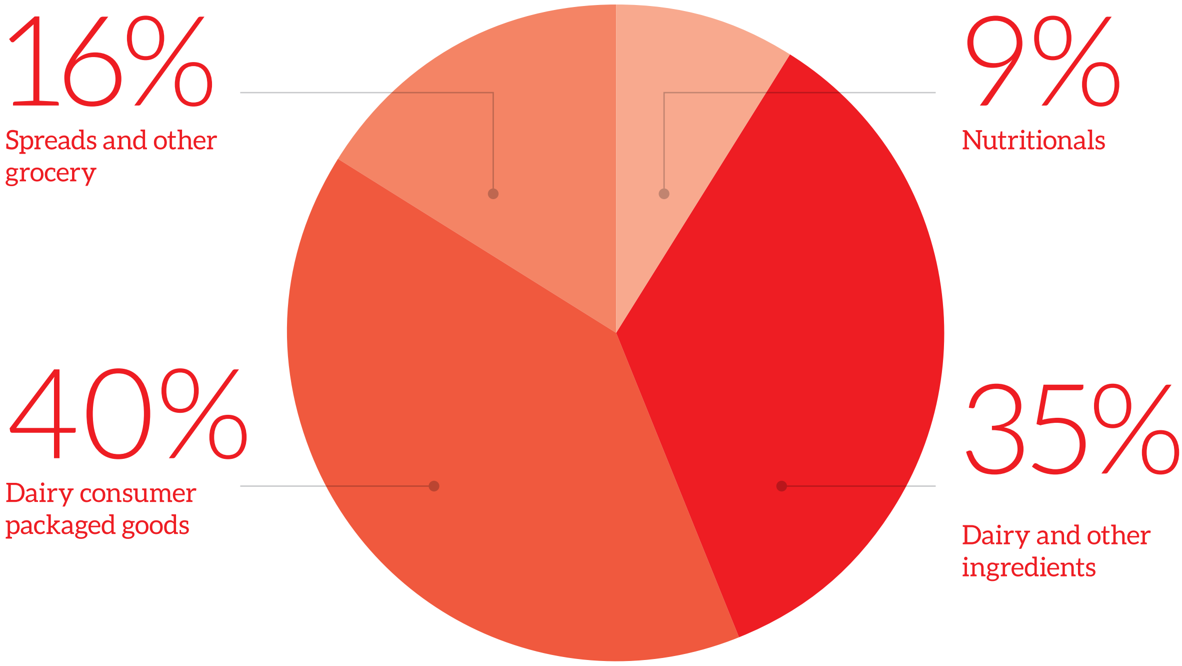
1,420 million
FY2019

1,252 million*
FY2018

Revenue

Revenue has increased by $168 million, or 13%, compared to the prior year after adjusting for the impact of AASB15 *Revenue from Contracts with Customers* which came into effect from 1 July 2018. The acquisition of the new Koroit facility contributing the majority of this revenue growth.

FY2019 Revenue



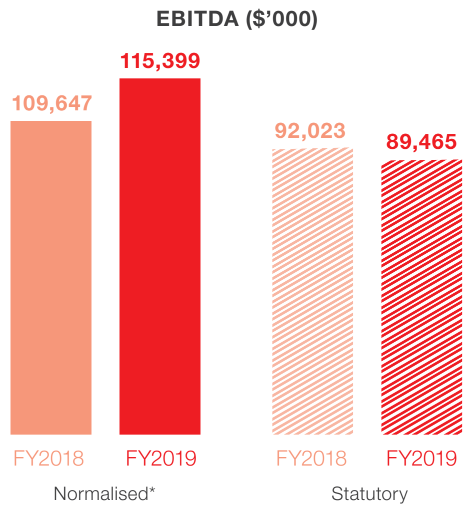
* Prior year revenue amounts have been restated due to the impact of AASB15.

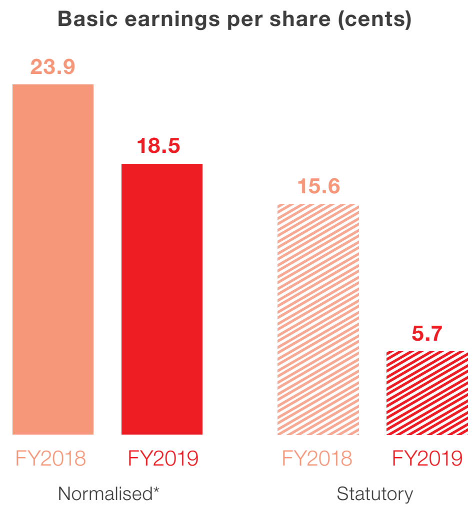
31%
International all business units

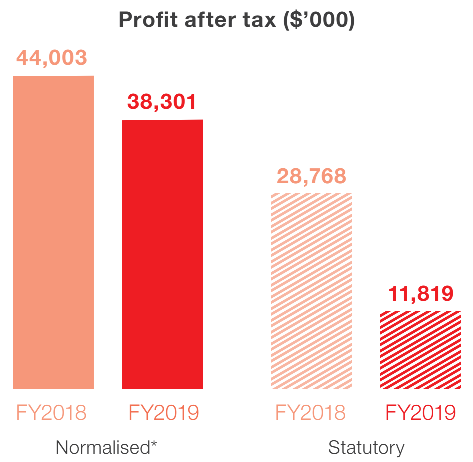
Bega international
Export sales totalling $442 million, being an increase of 4% on the prior year, comprised 31% of total sales. Bega Cheese Group continues to expand its range of dairy ingredients, nutritional and core food products around the world as we leverage the strength of our brands.

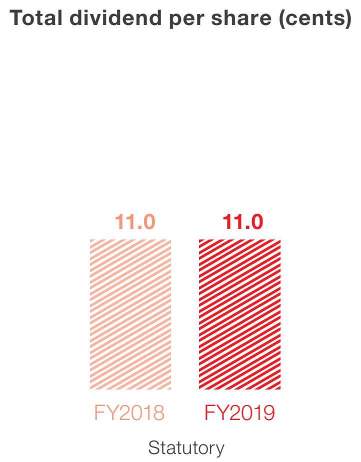
Financial results

The statutory result for each of FY2019 and FY2018 included a number of non-recurring items, which in FY2019 related primarily to business acquisitions, impairment of Coburg assets and other corporate activity and in FY2018 related primarily to business acquisitions and other corporate activity. On a statutory basis for FY2019 earnings before interest, tax, depreciation and amortisation (EBITDA) was $89.5 million, profit before tax (PBT) was $18.9 million and profit after tax (PAT) was $11.8 million. On a normalised basis for FY2019 EBITDA was $115.4 million, up 5%, PBT was $55.4 million, down 20%, and PAT was $38.3 million, down 13%.









*Normalised results exclude the impact of significant events occurring during the year.

Production volume (tonnes)

Production has increased by 8%, compared to the prior year, benefiting from the additional volume manufactured at the Koroit facility.

280,405 FY2019

259,235 FY2018

Total dividend per share (cents)

Bega Cheese Group has declared a final dividend of 5.5 cents per share, taking the total dividend relating to FY2019 up to 11.0 cents per share. This represents a total payment of $23.5 million, being 61% of the normalised profit after tax and an increase of $3.1 million, or 15%, on the prior year.

Chairman's Report

The year just passed represents possibly the most difficult year for the dairy industry since deregulation with the last quarter the worst. The drought along with high water, feed and power costs have all had an impact. It is with this backdrop that the Bega Cheese Group reports a normalised EBITDA of $115.4 million being an increase of 5% on the prior year and while it is below the Board's expectations it does highlight the Group's resilience and demonstrates the diversity within the Bega Cheese Group.

The Group generated revenue totalling $1.42 billion, being an increase of 13% on the prior year and normalised PAT of $38.3 million, being a decrease of 13%.

Milk intake totalled a record 1.06 billion litres, being an increase of 41% on the prior year. Milk associated with the acquisition of the Koroit facility in August 2018 contributed significantly to the overall increase and in turn strengthened the geographic diversity of the milk collection footprint of the Group. This greatly assisted the business in managing a volatile milk supply, the intensity of the competition for milk and the need to increase supplier prices to attract and retain new farmers.

The Group made a significant investment in future milk supply, with the majority of direct suppliers signing up to the 'Bega Supply Premium' (BSP). Under the BSP farmers were paid $0.50 per kg of annual milk solids up front in exchange for agreeing to continue to supply the Group for a period of two or three years. This innovative investment saw $28.4 million (FY2018: $9.2 million) being 'advanced' to direct suppliers, which better equipped them to deal with adverse climatic and cost conditions. It was also a great strategic initiative to have in place as competition intensified for milk throughout FY2019.

With the benefit of additional milk, the Group manufactured a record 280,405 metric tonnes, being an increase of 8% on the prior year, of dairy ingredients, retail and foodservice dairy products, high value nutritional and bionutrient products and spread products for sale in domestic and international markets.

The acquisition of the Koroit facility, while a fantastic opportunity, provided challenges for the management team to quickly integrate it into our business. It also placed an increased demand on funding as milk intake quickly built up during Spring 2018 and the site immediately focused on demand planning, new customer relationships and production during the seasonal peak.

The Koroit facility has increased the range of products manufactured by the Group, including butter and adult milk powders for sale to retailers and foodservice customers, growing up and other speciality milk powder blends and further dairy commodities. These new products have diversified our dairy portfolio and enabled us to establish supply relationships with new and existing domestic and international customers.

The year also highlighted the growing diversity of the Group as we strengthen the underlying vision of being The Great Australian Food Company. While we have focussed on bedding down the Koroit facility acquisition, we have also continued to explore other investments, with the following activities worthy of comment:

- acquired a controlling interest in 180 Nutrition Pty Ltd (180 Nutrition), an online health and wellness business that supplies dairy and plant protein products and natural health supplements through its own ecommerce platform and weekly educational podcasts. This investment is commensurate with our strategic plan and supports expansion of our nutritionals product portfolio
- entered into a supply arrangement with a major international infant formula business which has led to our decision to invest in a new lactoferrin plant at the Koroit facility, to be commissioned in FY2020
- our investment in, and then sale of shares of Capilano Honey in the first half of FY2019 brought to light our interest in expanding our spreads offering to include honey.

We have executed and/or explored several industry rationalisation opportunities, including:

- reshaping our manufacturing footprint and redistributing milk flows to optimise our dairy product mix. This work, together with the significant reduction in milk production in Australia, led to us closing the Coburg facility in FY2019. We are redeploying some of the equipment to other facilities within the Group and readying the property for sale. Approximately, 100-130 million litres milk equivalent has been redirected to the Koroit and Tatura facilities
- providing third party dairy companies access to our production capabilities to process their milk, particularly in relation to manufacture of dairy powders, which has avoided unnecessary duplication of milk processing capacity.

We were pleased to receive favourable Orders in the Federal Court of Australia on matters initiated by the Kraft Foods Group Brands LLC (Kraft) and H.J. Heinz Company Australia Limited (Kraft Heinz) in relation to the business and related assets we acquired from Mondelēz. Kraft has elected to appeal this decision and we will vigorously follow this matter through the Courts. We continue to strongly defend legal actions taken by Fonterra Brands Australia Pty Ltd (Fonterra) against Bega Cheese Group and by Bega Cheese Group against Fonterra in the Supreme Court of Victoria which will be heard by the Courts in FY2020.

Notwithstanding the challenges of FY2019, we have continued to remain true to the heritage and values of our Group by working closely with our milk suppliers in very difficult circumstances for them. At the same time we have added staff to improve business operations while readying the business for future opportunities.

Paul van Heerwaarden, Chief Executive Officer (CEO) of the Bega Cheese Group and his leadership team have successfully executed a number of company-changing strategic initiatives in FY2019 whilst also responding to this competition and structural changes in the dairy landscape.

The results of the Bega Cheese Group in FY2019 are due in large part to our staff and strong management team. The Board also acknowledges the work of Director Peter Margin who stepped down in February. Currently there are two Board positions vacant and there is an expectation that at least one will be filled in 2019.

I would like to acknowledge the contribution by Barry Irvin over many years. The business is in steady hands whilst Barry is away. We wish Barry a speedy recovery and look forward to him returning.

We also acknowledge the support we receive from our growing shareholder base and the many communities in which we operate.

Max Roberts
Chairman
28 August 2019

Chief Executive Officer's Review

Bega Cheese Group has delivered a solid result in what has been a challenging year with major structural changes in the domestic and international competitive environment. Whilst we have maintained a strong competitive position the ongoing drought resulted in a significant reduction in Australian milk production and higher costs across the business. The challenges in dairy and international trade when combined with strong domestic retail competition required us to maintain our focus on productive investment and efficiencies and continue to develop markets that support our strong underlying profit contribution.

The acquisition of the Koroit facility in August 2018 injected significant processing capacity into our network and an extra 308 million litres of milk. We welcomed over 100 employees with the acquisition and are benefiting from their significant experience and capabilities. Integrating the Koroit facility into our network enables us to meet the growing industry challenges by adding important flexibility, geographic diversity and scale. The closure of the Coburg facility in February 2019 and entering into a toll processing arrangement for cheese production with another processor has further strengthened our business.

In pursuing our vision to be The Great Australian Food Company, we are focussed on ensuring an effective and efficient supply chain network and increasingly diversifying our product portfolio and channels to market. We have also prioritised investments with important long-term initiatives such as the construction of a new large scale lactoferrin plant at the Koroit facility supported by a multi-year supply agreement. We executed on our commitment to invest in our manufacturing plants, increase automation and improve yields. Over 40 new retail products were launched and we continued to invest in the iconic Vegemite and Bega brands. We will continue to grow our brands and new products, our high margin retail and foodservice offerings and develop further specialised ingredient and nutritional products.

Markets and customers

Revenue of $1.42 billion increased by 13% compared with last year. The increase was primarily due to the increased milk volume with the Koroit facility acquisition. We also saw strong growth in our core branded consumer and food service business in both the domestic and international markets.

Vegemite commenced the year with a creative new campaign, Tastes Like Australia, which focussed on the brand's long history and its iconic place in Australia referencing Ramsay St, Skippy the Kangaroo, the rosy cheeked Vegemite girl from the 1950s and a wide range of other Aussie icons. Vegemite is made up from everyone and everything that makes Australia great. For the second year running Vegemite won Australia's most iconic brand award and was recognised as one of Australia's most trusted brands. The brand also continued its association with Australia's tennis star, Ash Barty and the Australian Open. Cadel Evan's Great Ocean Road Race was again sponsored by Vegemite.

Product innovations included the successful launch of Gluten Free Vegemite. The gluten free market continues to grow, and it is important to Bega that all Australians can enjoy the great taste of Vegemite. Other innovations include the release of the 95th birthday special edition jars, an online merchandise range, Australian Open t-shirts and a range of duty-free shop souvenirs. Vegemite flavoured Picky Picky nuts and Vegemite Shapes in collaboration with Arnott's were released, whilst in-store activity included Vegemite Australian animals toast stencils, Vegemite lunchboxes and Coles Little Shop Minis.

The recently launched Bega Simply Nuts range of peanut butter is made from 100% Australian peanuts sourced from our Kingaroy facility. It is important to us to have a 100% Australian product as consumers are increasingly concerned about provenance of the food that they purchase. An original promotional campaign 'There's nothing else to add' has been developed referencing the only ingredients in Simply Nuts: peanuts and a pinch of salt. The Peanut Company of Australia continues to play an important role supplying high quality Australian peanuts as an ingredient for our peanut butter and snacking products.

Private label cheese also plays an important role in complementing our consumer offer. We have launched two new dairy brands in Farmer's Table and Modern Chef. For the first time these brands expand our retail offerings to cream cheese and butter in the domestic market.

Our export branded revenue has grown by over 4% driven by South East Asia and North Asia consumption. A growing middle class in the Asian region is increasingly seeking our quality and healthy Australian food products. Changing diet preferences including a growing appetite for westernised bakery items is increasing demand for high quality butter and cream cheese. Consumer led marketing and innovation programs together with high levels of quality and service will be required to attract and retain this growing Asian consumer and customer base. Chinese tariff risks are increasing with possible impacts on this market over the coming year.

The nutritional and bionutrient business continues to provide strong profit growth with our ongoing diversification of product categories, customers and markets. The increasing trend into goat milk infant formula led to a processing deal with Bubs.

Lactoferrin prices continued to strengthen throughout the year primarily due to increased infant formula destined for the Chinese market. In addition to increasing the capacity of our lactoferrin facility at Tatura, within six months of acquiring the Koroit site we negotiated a long-term product supply contract and received planning approval to construct a 35 tonne lactoferrin plant at the Koroit facility. We are scheduled to commission the new plant in FY2020 which will provide a positive return in the second half of the new financial year and a material contribution to the Group in FY2021.

Koroit's processing capacity and capability allows us to supply significant volumes of branded and private label products including butter and milk powders. Along with our portfolio of other dairy products, which includes a broad range of natural and processed cheeses and our range of non-dairy products, we are well placed to continue our growth of high margin value added products in domestic and international markets.

Milk supply

With the acquisition of the Koroit facility our milk intake was a record 1.06 billion litres. The Koroit facility provided an additional 308 million litres over and above our FY2018 base milk supply which remained at approximately 750 million litres. This is great outcome in what is a very competitive market.

Whilst we achieved strong growth in Gippsland and across the Western District there was a significant decrease in supply from Northern Victoria. Additional milk payments made throughout the year were critical in retaining milk volume. Payments to dairy farmers included the Bega Supply Premiums, drought support payments and base price increases.

Overall Australian milk production decreased significantly compared to FY2018 primarily as a result of the drought and high costs for feed, water and other inputs. The current forecast for FY2020 is for Australian milk production to fall further to between 8.10 and 8.30 billion litres and may be less if dry conditions continue.

Current market conditions and aggressive competition for milk supply will continue in FY2020. The Group is working hard to maintain supply as we continue to align our manufacturing network across each of our regions and optimise our product mix returns and maintain cost efficiency. We have implemented a simplified pricing system which provides stronger cash flow and price relativity particularly for pasture based dairy farmers. We have seen a high number of our suppliers converting to this system which we expect will provide improved sustainability of farm profitability and supports on farm decision making.

Supply chain

As the Bega Cheese Group grows, we consistently focus on establishing the most efficient manufacturing footprint and logistics network possible and making the necessary ongoing changes to ensure we remain globally competitive. Closure of our Coburg facility and the subsequent entry into a toll processing arrangement was part of the broader ongoing consolidation program. This program includes a review of all our manufacturing lines including butter, powder and retail packing and our warehousing and logistics network. A core component of our success has been the sustained focus on continuous improvement. Improvements in our operations, logistics and procurement achieved significant savings in FY2019 from a range of initiatives including waste reduction, yield improvement, capacity enhancement, labour efficiency and overhead reduction. This program, which commenced in FY2018 has been imbedded at all sites and will continue in FY2020.

We have developed a comprehensive sustainability framework aligned to the United Nations' Sustainable Development Goals to ensure we are constantly improving and meeting customer and shareholder expectations. An ambitious three year energy reduction program with initiatives across the Group is underway. Our key focus areas with detailed and targeted performance measures in the medium term include improving food nutrition (in particular the reduction of salt), supporting an increase in the diversity of our people, a reduction in greenhouse gas emissions, improved water conservation and a reduction in packaging waste.

In conjunction with Swinburne University we are piloting several Industry 4.0 initiatives to ensure our operations continue to be globally competitive and importantly are prepared to adopt and adapt to new innovative technologies such as machine learning. For example, a trial related to early visibility of quality data for inbound milk using on farm sensors will ensure we improve quality and consistency at the point of collection. This trial has received Federal Government research funding support.

In FY2016 we embarked on a project to upgrade and standardise our Enterprise Resource Planning (ERP) system across the Group. In this time, we have completed several acquisitions and significantly grown and transformed the Group to what it is today. This transformation required regular resetting of the ERP implementation project plan with resources redeployed to urgently support new systems and processes of the businesses that we acquired. We are now in the last phase of this project with the implementations completed and employees in the project team transitioning back into commercial and operational roles. The new ERP system replaced four separate systems and required an enormous effort and commitment from every part of the Group. Importantly the new system provides a platform for supply and network efficiencies and information systems that will support the Group well into the future.

People

Growing and developing the potential of our people is an important Bega value. It is imperative that we nurture a diverse and inclusive culture that drives growth, innovation and supply chain efficiency across our network. The Group now has a workforce in excess of 2,000 people located from Tolga in northern Queensland through to Koroit in Western Victoria. The growth of the Bega Cheese Group relies upon our people's commitment to each other and together achieving our vision to be The Great Australian Food Company.

Safety performance continues to improve year on year with a 15% reduction in the total recordable injury frequency rate. We are encouraged with the significant improvement in safety in recent years but still have unacceptable incidents across our sites and need to do better. Our behavioural safety program continued across all sites, however there is still further progress required as we work towards a zero-harm workplace.

Important progress has been made to address gender imbalance within the Group. Women now represent 46% of our salaried staff in professional roles, up from 36% in the prior year. We will continue to focus on further improving this as the representation of women in upper management increases to align with the total number women employed. Diversity, inclusion and equality measures are set annually and will be reported in our 2019 Sustainability Report.

Employees with high potential for future leadership roles graduated from our first formal emerging leaders' 18-month 'Aspire' program. This program provides a challenging environment for participants to undertake a range of leadership projects. We also initiated an Aspire Agility program where participants are exposed to executive level problem solving in an accelerated four-week program. A graduate employment program was established during the year with six graduates appointed across our sites.

The Bega Aspire Leadership Development Program has been named a finalist for the Australian Institute of Training and Development Excellence Awards, in the category of "Best Talent Development Program". The Aspire program was launched in 2018 and has now seen two collaboration teams move through the program, with a third commencing in November this year. The winners of the AITD Excellence Awards will be announced in October.

Outlook

We continue to review functionality of our dairy and other manufacturing assets to ensure we remain relevant and competitive into the future.

The strategic acquisition of the Koroit facility has strengthened our dairy infrastructure, diversified our product portfolio and expanded the regions in which we collect milk. We can now continue to expand our customer network in the supply of retail and food service butter, adult milk powders, growing up milk nutritional powders and other specialist milk powder blends. We are well advanced in construction of a new lactoferrin plant at the Koroit facility, aligning this important investment with a medium-term supply agreement with a major international nutritional company.

Closure of the Coburg cheese manufacturing facility was quickly followed by an innovative toll manufacture agreement with a third party for ongoing supply of cheddar and mozzarella cheese. This will enable us to continue to grow our business utilising our own milk pool whilst avoiding additional capital expenditure and duplication of infrastructure in the Australian dairy industry. We have also made available our own spare capacity to process other customer's milk supply into dairy commodities, thus avoiding duplication of capacity.

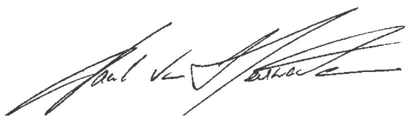
For the Australian dairy industry to be sustainable into the future dairy farmers must have a financially viable business model. Recent drought conditions and related escalating on-farm costs have placed a strain on milk supply, resulting in a decrease in the national milk pool. The Group provided meaningful financial support to suppliers via the Bega Supply Premium. This innovative up-front investment in future milk supply has positioned the Group well to manage the challenges ahead as adverse climatic conditions and record high milk prices paid to suppliers continue into FY2020.

The domestic retail market remains extremely competitive. However, the reality of current high milk prices being paid to milk suppliers is starting to be reflected in the market, with the price of retailers' mark milk and cheese products increasing in recent months. The Group will continue to be proactive in recovering higher operating costs for dairy products.

Our domestic retail and foodservice foods business has a strong product portfolio with leading brands and strong consumer support. We will continue to build on this support as we extend our product range and establish new channels to consumers, including online.

Geopolitical factors, including the current trade war between China and the US, will continue to impact our markets and trade flows. Free trade agreements are in place that support Australian exports and we will continue to work closely with export agencies and the Federal Government to ensure we are well positioned to take advantage of developments in global markets. Our focus remains on healthier eating and consumer preferences for Australian owned and made products. We compete in a number of categories including spreads, cheese, butter, cream cheese and nutritional products and will continue to expand our product range and focus on profitable growth.

Finally, I would like to thank the executive team and all employees for their effort and commitment in what has been a challenging year that has seen the Group continue to transform and diversify. I would also like to acknowledge the support and leadership of the Board, particularly towards the end of FY2019 and into the new financial year whilst Barry Irvin is away. Barry has been a friend and mentor of mine for many years and I look forward to his return.



Paul van Heerwaarden
Chief Executive Officer
28 August 2019

Review of Financial Performance and Operations

Key highlights

The Bega Cheese Group has continued to deliver on its objectives of strategic development and growth for the future in FY2019, whilst managing tight financial trading conditions and challenging dynamics in milk procurement across the Australian Dairy industry. Key achievements for FY2019 are set out below.

Finance overview

After adjusting for one-off items, the Group generated top line revenue of $1.42 billion, up 13%, normalised EBITDA of $115.4 million, up 5%, normalised PAT of $38.3 million, down 13% and normalised earnings per share of 18.5 cents, down 23%.

Against a backdrop of strong competition for milk and tight trading conditions, the underlying financial performance of the Group has been below expectations.

The Group continued to receive strong support from Rabobank and Westpac (Syndicate Banks) throughout FY2019. On 17 August 2018 a Revised Syndicated Debt Facility was established which was secured to support acquisition of the Koroit facility. The Group continued to utilise an inventory facility from Rabobank and entered a new Trade Receivables Facility with Rabobank in February 2019, which contributed to improvement in the management of working capital of the Group.

Business integration

Bega Foods (formerly Mondelēz Grocery Business) is now embedded into and contributing well to the growth and overall performance of the Group. The operations of Peanut Company of Australia (PCA) and the Group's traditional international retail and foodservice business (Bega Foods International) are now both under management of the Bega Foods team.

The Group acquired Saputo's dairy facility at Koroit in Western Victoria and entered into a Milk Supply Guarantee and transition services agreement which has provided a significant step-change to the Group's dairy activities without increasing overall capacity in the industry. The acquisition has expanded the geographic diversification of the milk pool available to the Group. The assets and infrastructure provide significant dairy manufacturing capability and capacity which has supported increased dairy goods production, adding retail, foodservice and bulk butter, retail powdered milk, growing up milk powders, skim milk powder and whole milk powder to the product portfolio.

Production and logistics efficiency

Notwithstanding the demanding circumstances of the domestic dairy industry, the Group manufactured a record 280,405 tonnes of dairy, retail and food service products, being an increase of approximately 21,000 tonnes or 8% on the prior year.

The Group has increased its lactoferrin manufacturing capacity and are in the process of implementing encapsulated lactoferrin technology at Tatura, which will support growth in demand for this value-add product. Upon entering a long term lactoferrin supply agreement with a key customer the Group also commenced construction of a new lactoferrin plant at the Koroit facility, which is expected to be operational in FY2020.

Bega Cheese Group closed the Coburg facility and is currently relocating key items of plant and equipment to other facilities where appropriate and readying the site for sale. Milk that previously went to Coburg is now being directed to the Koroit facility and Tatura. The Group will continue to manufacture cheddar cheese from the Lagoon Street facility and source additional cheddar and mozzarella cheese via toll manufacturing arrangements with third-parties utilising existing surplus capacity in the Australian dairy manufacturing industry.

The Group will continue to optimise utilisation of its existing facilities and right-size the manufacturing capacity to support sustainable growth, will be implementing value-creating business opportunities and avoid where possible duplication of dairy manufacturing capacity in the Australian industry.

The Group continues to roll out the new ERP system (Project One). The Koroit facility (an asset-based transaction) materially increased the scope of the new management information system and on acquisition the 'order to cash' functionality became an immediate focus for the Project One team. The new system was rolled out across the traditional Group operations in October 2018 and went live at Tatura and Koroit at the end of July 2019.

Loyal and sustainable supplier base

Assisted by the BSP financial support to suppliers and the Koroit facility acquisition, the Group received a record 1.06 billion litres of milk, being an increase of 308 million litres or 41% on the prior year. The Group continues to acknowledge the loyalty of our milk suppliers and welcomes new suppliers, in a period where significant disruption and fierce competition for milk prevailed during the year.

Insurance matters

Insurance premiums increased by 66% in FY2019 (prior to the impact of acquisitions), largely as a result of heightened concerns by insurers of expanded polystyrene (EPS) panel, which exists throughout our manufacture and storage facilities. Management is actively reviewing opportunities to mitigate risks associated with EPS and is receiving advice from insurance experts to ensure we continue to meet requirements for insurance purposes.

Dividends paid in FY2019

On 29 August 2018 the Bega Cheese Group declared a final FY2018 franked dividend of 5.5 cents per share, representing a distribution of $10.2 million.

On 27 February 2019 Bega Cheese declared an interim fully franked dividend of 5.5 cents per share, representing a distribution of $11.7 million. The Directors activated the Group's Dividend Reinvestment Plan (DRP) for this dividend. The DRP, which was optional, offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. Shares purchased under the DRP were allotted on 16 April 2019 and raised $2.8 million in new share capital.

On 28 August 2019 Bega Cheese declared a final fully franked dividend of 5.5 cents per share representing a distribution of $11.8 million. The DRP will be available for this dividend.

Review of financial performance

As in prior years, the Group will report on both the statutory result and the normalised result for FY2019 compared to the prior year, with the focus of commentary being on the normalised result.

GROUP STATUTORY RESULT FY2019

On a statutory reporting basis, the Group generated:

- earnings before interest, tax, depreciation and amortisation (EBITDA) of $89.5 million, compared to $92.0 million in FY2018, being a decrease of 3%
- earnings before interest and tax (EBIT) of $38.9 million compared to $60.7 million in FY2018, being a decrease of 36%
- profit before tax (PBT) of $18.9 million, compared to $50.9 million in FY2018, being a decrease of 63%
- profit after tax (PAT) of $11.8 million, compared to $28.8 million in FY2018, being a decrease of 59%
- earnings per share (EPS) of 5.7 cents, compared to 15.6 cents in FY2018, being a decrease of 64%.

GROUP NORMALISED RESULT FY2019

The statutory result for the Group in each of FY2019 and FY2018 included several one-off items, most of which related to corporate activity. These items each had a financial impact on the statutory performance of the Group that does not reflect the financial performance of the ongoing underlying business. In order to provide a more meaningful understanding of the underlying financial performance, normalising adjustments have been made to the statutory financial statements for each of these items, which have been set out in more detail in the table on page 12. On a normalised basis the Group generated:

- EBITDA of $115.4 million, compared to $109.6 million in FY2018, being an increase of 5%
- EBIT of $75.0 million compared to $78.9 million in FY2018, being a decrease of 5%
- PBT of $55.4 million, compared to $69.0 million in FY2018, being a decrease of 20%
- PAT of $38.3 million, compared to $44.0 million in FY2018, being a decrease of 13%
- EPS of 18.5 cents, compared to 23.9 cents in FY2018, being a decrease of 23%.

MATERIAL ITEMS IMPACTING GROUP NORMALISED RESULT FY2019 AND PRIOR YEAR

Normalising adjustments in FY2019

- on acquisition of the Koroit facility the Group incurred several one-off transaction costs totalling $11.0 million before tax (including stamp duty, advisory fees, legal, transitional costs and other costs). Inventory purchased on acquisition of the Koroit facility was uplifted to fair value, with the reduction of this margin being treated as a normalising adjustment
- legal and other expert advisory fees relating to defending legal actions initiated by Kraft Foods Group Brands LLC (Kraft), with the significant majority of legal issues determined by the Court to be in favour of Bega Cheese, which is now subject to appeal by Kraft to the Full Bench of the Federal Court of Victoria. Legal and other expert advisory fees relating to defending legal actions taken by Fonterra Brands (Australia) Pty Ltd (Fonterra) against Bega Cheese and by Bega Cheese against Fonterra in the Supreme Court of Victoria which will be heard by the Courts in FY2020
- one-off costs relating to closure of the Coburg facility, including redundancies, staff redeployment, site decommissioning, preparation of the site for sale and other one-off costs usual in these circumstances totalling $4.9 million. One-off impairment of the carrying value of assets relating to the Coburg facility totalling $10.2 million
- one-off operating costs relating to the deployment of Project One totalling $3.5 million.

Normalising adjustments in FY2018

- transaction costs relating to the Bega Foods business acquisition totalling $12.9 million before tax
- inventory purchased on acquisition of Bega Foods was uplifted to fair value including margin, with the reduction of this margin treated as a normalising adjustment
- transaction costs relating to the PCA acquisition, totalling $3.1 million before tax
- the purchase price paid for PCA was less than the fair value of the underlying assets and liabilities acquired, resulting in a one-off gain on bargain purchase of $4.4 million
- transaction costs prior to the end of FY2018 for purchase of the Koroit facility totalling $0.8 million before tax (with further transaction costs incurred in FY2019)
- other costs totalling $2.0 million before tax included responding to an inquiry conducted by ACCC into the Australian Dairy Industry and legal costs relating to a matter initially brought against Bega Cheese Group in a foreign jurisdiction but which, at the direction of Australian Courts, was withdrawn.

The table below demonstrates the movement between the financial performance for statutory reporting purposes and the normalised financial performance for the Group.

Consolidated	Per Financial Statements $'000	Koroit Acquisition Costs $'000	Koroit Fair Value Adjustments $'000	Coburg Site Closure Costs $'000	Legal Costs $'000	Other Costs $'000	Normalised Outcome $'000
Period ending 30 June 2019							
Revenue	1,419,952	-	-	-	-	-	1,419,952
Cost of sales	(1,129,674)	-	2,648	-	-	-	(1,127,026)
Gross profit	**290,278**	-	**2,648**	-	-	-	**292,926**
EBITDA	89,465	11,019	2,648	4,942	3,783	3,542	115,399
Depreciation, amortisation and impairment	(50,602)	-	-	10,229	-	-	(40,373)
EBIT	38,863	11,019	2,648	15,171	3,783	3,542	75,026
Net finance costs	(19,952)	357	-	-	-	-	(19,595)
Profit before income tax	**18,911**	**11,376**	**2,648**	**15,171**	**3,783**	**3,542**	**55,431**
Income tax expense	(7,092)	(2,495)	(794)	(4,551)	(1,135)	(1,063)	(17,130)
Profit for the year	**11,819**	**8,881**	**1,854**	**10,620**	**2,648**	**2,479**	**38,301**
Gross margin - percentage	20.4%						20.6%
Basic earnings per share - cents	5.7						18.5

Consolidated	Per Financial Statements $'000	Bega Foods Acquisition Costs & Fair Value Adjustment $'000	PCA Acquisition Costs $'000	PCA Bargain Purchase $'000	Koroit Acquisition Costs $'000	Other Costs $'000	Normalised Outcome $'000
Period ending 30 June 2018							
Revenue	1,252,041	-	-	-	-	-	1,252,041
Cost of sales	(980,089)	3,733	-	-	-	-	(976,356)
Gross profit	**271,952**	**3,733**	-	-	-	-	**275,685**
EBITDA	92,023	16,602	3,142	(4,426)	800	1,506	109,647
Depreciation, amortisation and impairment	(31,317)	-	-	-	-	528	(30,789)
EBIT	60,706	16,602	3,142	(4,426)	800	2,034	78,858
Net finance costs	(9,822)	-	-	-	-	-	(9,822)
Profit before income tax	**50,884**	**16,602**	**3,142**	**(4,426)**	**800**	2,034	**69,036**
Income tax expense	(22,116)	(1,780)	(445)	-	(240)	(452)	(25,033)
Profit for the year	**28,768**	**14,822**	**2,697**	**(4,426)**	**560**	**1,582**	**44,003**
Gross margin - percentage	21.7%						22.0%
Basic earnings per share - cents	15.6						23.9

Cash flow, net debt and group capital management

CASH FLOWS

Operating activities: Bega Cheese Group generated net cash inflows from operating activities of $100.3 million in FY2019, compared to $58.6 million in FY2018. Factors impacting operating cash flows in FY2019 include:

- a decrease in trade and other receivables of $54.9 million, primarily as a result of implementing the Trade Receivables Facility with Rabobank which contributed $188.6 million to net cash inflows from operating activities
- an increase in inventory of $37.2 million, primarily as a result of increased milk intake and related production of dairy products at the Koroit facility
- an increase in trade and other payables of $36.3 million, as a result of increased milk intake and related dairy supplier payables for milk originating at the Koroit facility.
- payment of $28.4 million under the Bega Supply Premium program to direct milk suppliers on entering into a two or three-year milk supply agreement

Investing activities: Bega Cheese Group incurred net cash outflows from investing activities of $322.9 million in FY2019, which included the following substantial one-off items:

- payment of $262.2 million for acquisition of Koroit facility and related transaction costs
- payment of $10.3 million to increase lactoferrin capacity at Tatura and commence construction of a new lactoferrin plant at Koroit
- payments totalling $18.9 million for deployment of the new Project One ERP system.

Financing activities: In addition to the usual sources of funds through debt financing, the Group raised additional funds under an Institutional Placement and a Share Purchase Plan, which raised $202.1 million before related costs.

NET DEBT AT YEAR END

Bega Cheese Group had consolidated net debt of $288.2 million as at 30 June 2019 compared to $246.3 million at 30 June 2018, being an increase of $41.0 million or 17%, with the significant movement in net debt being the result of:

- payments totalling $262.2 million to fund the acquisition of the Koroit facility and related transaction costs, which was partially offset by share capital raised under the Institutional Placement
- increased working capital (before Trade Receivables Facility) as a result of the higher milk volume and related business activity of the Koroit facility, offset by a reduction of $188.6 million as at 30 June 2019 from net proceeds of the Trade Receivables Facility.

BALANCE SHEET CAPITAL MANAGEMENT

The Group continues to enjoy the support of its bankers via a primary Syndicated Debt Facility with Coöperatieve Rabobank U.A. (Rabobank Australia Branch) and Westpac Banking Corporation (Syndicate Bankers), an Inventory Facility and a Trade Receivables Facility provided by Rabobank and other overdraft and guarantee facilities provided by Westpac.

On 17 August 2018 the Group entered into a revised syndicated debt facility with the Syndicate Bankers comprising three revolving cash advance facilities totalling $410 million (with maturity dates between 1 September 2020 and 31 August 2021), a term facility of $100 million (with a maturity date of 1 July 2020) and a term facility of $180 million (Revised Syndicated Debt Facility). On 17 September 2018 the Group used $180 million of the proceeds from share capital raised under the Institutional Placement to repay the $180 million term facility.

On 21 December 2018 the Group and Syndicate Bankers agreed to change the Revised Syndicated Debt Facility, resulting in the following covenants applying:

- leverage ratio at not greater than 4.75 times at 30 December 2018, 4.00 times at 30 March 2019, 3.50 times at 30 June 2019 and 3.00 times from 30 September 2019
- the interest cover ratio to be equal or greater than 2.50 times
- shareholder funds must be equal or greater than $450 million.

On 29 March 2019 the Revised Syndicated Debt Facility was amended, resulting in the following facilities being available as at 30 June 2019:

- term debt facility of $100 million, maturing on 1 July 2020
- cash advance facility of $125 million, decreasing to $100 million on 29 September 2019 and maturing on 1 September 2020
- cash advance facilities totalling $210 million, maturing on 31 August 2021.

A non-underwritten Institutional Placement was opened and closed on 11 September 2018. The Institutional Placement had a purchase price of $7.20 per share, raised $199.9 million in new share capital and resulted in an additional 27,758,218 ordinary fully paid shares being issued. The proceeds from the Institutional Placement were used to partially fund the acquisition of the Koroit facility and improve the Group's financial flexibility to grow opportunities in dairy and food industries.

A Share Purchase Plan Offer (SPP) was opened on 18 September 2018 and closed on 18 October 2018. Under the SPP, each eligible Bega Cheese shareholder was able to subscribe for up to $15,000 of new Bega Cheese shares at a purchase price of $7.10 per share. The SPP raised $2.3 million and resulted in an additional 318,118 ordinary fully paid shares being issued.

On 26 February 2019 the Group entered a Trade Receivables Facility with Rabobank under which Rabobank may purchase receivables from the Group at a discount. The facility is a one-year revolving purchase facility and is subject to annual review, is used as a primary source of working capital for the Group, provides a committed equivalent of $150 million and a further uncommitted equivalent of $50 million. The facility was first utilised on 29 March 2019 and has been utilised ongoing since that date. As a result of entering the Trade Receivables Facility the balance available under the Revised Syndicated Debt Facility decreased by $75 million to $335 million from 29 March 2019.

On 21 August 2019 the Trade Receivables Facility was extended to 31 August 2020, with the balance of $200 million being committed.

Capital investment

Capital invested in intangible assets, plant and equipment totalled $42.7 million in FY2019 (FY2018: $28.5 million), with the key investments being as follows:

- increased the lactoferrin capacity and implementing encapsulated technology at Tatura
- commencing a new lactoferrin plant at the Koroit facility
- automated the cream cheese filling line at Tatura to increase efficiency
- installed a new tubs line to manufacture cream cheese-based dips
- upgraded existing peanut butter manufacturing line at Port Melbourne facility for new natural farm to plate nut spreads under the Bega brand 'Simply Nuts'.

The Group continued its investment in the new Project One ERP system intangible asset, spending $21.0 million in FY2019 (FY2018: $17.4 million), with material progress being made on this important investment, as follows:

- Project One commenced in FY2016 and has been expanded significantly several times as the business has introduced the acquisitions of Bega Foods and the Koroit facility and established important commercial alliances with domestic dairy partners to facilitate rationalisation of manufacturing capacity
- Project One was deployed at Bega Foods in two stages during FY2018 and has been in operation across this business since February 2018
- Project One went live across the traditional Bega Cheese Limited sites in October 2018 and for 'order to cash' at the Koroit facility in April 2019
- the team is currently focussed on deployment across Tatura and the manufacturing operations at the Koroit facility, which also went live in July 2019.

When fully deployed, the new solution will improve efficiencies and provide depth of information.

Commentary on investing activity

EXISTING INVESTMENTS

Bega Foods

Bega Foods was acquired on 4 July 2017 and is now embedded into and contributing well to the overall performance of the Group. The operations of PCA and the Group's traditional international retail and foodservice business (Bega Foods International) are now both under management of the Bega Foods team.

Bega Foods has successfully completed transition of the Bega brand onto Australia's leading peanut butter and introduced a new Bega 'Simply Nuts' range extension, with the Bega brand complementing the peanut butter range well. Picky Picky nuts has achieved increased ranging throughout Australian retailers. The Vegemite brand, one of Australia's most iconic brands, has successfully been positioned on other products outside the traditional 'spreads' category through brand partnerships with other leading Australian food brands.

Adverse drought conditions in the key growing areas of Kingaroy and Tolga in Northern Queensland reduced the amount of Australian peanuts processed in FY2019.

Capitol Chilled Foods
The Group maintained its 25% shareholding in Capitol Chilled Foods (Australia) Pty Ltd (CCFA), a regional milk processor based in Canberra, with Lion Dairy and Drinks holding the other 75%.

Bemore Partnership (non-active)
Bemore is a joint operation (currently not trading) held equally by Bega Cheese Group and Blackmores SPV Co Pty Ltd.

Coburg facility closure
The Coburg facility was closed in FY2019. Some staff were redeployed to other sites but there were also unfortunately staff redundancies. Bega Cheese Group thanks staff for their support up to and during the transition phase and is pleased to note that many former staff have successfully gained employment following their time at the Coburg facility.

Parts of the Coburg plant are being redeployed to other sites and some are being retained for potential recommissioning in the future. The Coburg site is surplus to the Group and is being readied for sale, which is to be completed in FY2020.

Closure of the Coburg facility has resulted in one-off costs, including redundancies, staff redeployment, site decommissioning, preparation of the site for sale and other costs usual in these circumstances totalling $4.9 million. In addition, the carrying value of the Coburg facility assets has incurred an impairment of $10.2 million. Both these costs have been treated as normalising adjustments for the purposes of assessing the underlying financial performance of the Group in FY2019.

INVESTMENT ACTIVITY IN FY2019 AND ONGOING OUTLOOK
Further details of business development undertaken during FY2019 are provided in the Chairman's report, the Chief Executive Officer's review and the financial statements and accompanying notes. Provided below is a summary of the major activities.

Acquisition of the Koroit facility
The Group acquired the Koroit facility on 17 August 2018. Following the acquisition, the activities of the Koroit facility were consolidated within the Bega Cheese Limited entity.

The Koroit facility acquisition cost of $251.2 million, included an initial tranche of inventory, valued at $25.8 million.

Bega Cheese and Saputo Dairy Australia (Saputo) entered into a Transition Services Agreement under which Bega Cheese received certain administration, management information systems and reporting services. In addition, the parties entered into a Milk Supply Guarantee Agreement (MSG) under which Bega Cheese receives up to 300 million litres of milk per annum (as adjusted for milk that transitions from the defined milk pool to Bega Cheese directly) until 30 June 2020.

Since 17 August 2018, the Group has established direct relationships with many new suppliers, representing approximately 228 million litres of milk from the defined milk pool, effectively reducing the volume of milk that Saputo is required to supply under the MSG.

180 Nutrition
In February 2019, Bega Cheese acquired a controlling share in 180 Nutrition Pty Ltd.

Extending spreads portfolio, including honey
During FY2019 the Group actively reviewed the Capilano Honey business, before selling its stake in this company into a Scheme of Arrangement. The Group remains interested in the honey category and is actively investigating opportunities to extend the range of spreads products.

Significant activity in the Australian dairy industry and continuing interest
Several key Australian food and dairy enterprises have recently been sold or are known to be available for sale. The Group is currently focused on absorbing the recent material acquisitions as smoothly and quickly as practical. The Group will continue to position itself to undertake investments in the future where such investments facilitate ongoing development of its strategic plan, provide synergy opportunities and represent a sound commercial return on investment to key stakeholders.

Your Directors present the Annual Financial Report of the Bega Cheese Group for the year ended 30 June 2019

*Barry Irvin AM

Director since September 1989
Executive Chairman

Barry Irvin is recognised globally for his extensive experience in the dairy industry and has been Chairman of Bega Cheese Limited since 2000. Barry's leadership has seen Bega grow from a small regionally based dairy company to now the third largest dairy company in Australia, supplying a large range of dairy and grocery products in Australia and around the world.

Barry's depth of knowledge of the industry includes a significant understanding of the issues affecting Australian dairy farmers, the key investments required to meet changing consumer needs and the management of long term customer relationships.

Barry was awarded the NAB Agribusiness Leader of the Year 2009 and the Rabobank Leadership Award 2011. Barry is very aware of the importance of social responsibility, he has been Chairman of Giant Steps, an organisation providing services to children and young adults with autism since 2002. In 2008 Barry was awarded a Member of the Order of Australia for contributions to children with disability and the Australia dairy industry.

Other current Directorships:
Director of Tatura Milk Industries Pty Ltd, Capitol Chilled Foods (Australia) Pty Ltd, Giant Steps Melbourne Limited and Giant Steps Australia Ltd.

Former Directorships in the last 3 years:
Geoffrey Gardiner Dairy Foundation Ltd.

*Max Roberts MAICD

Director since September 1983
Member of Nominations & Human Resources Committee
Member of Milk Services Committee

Max is one of the few first-generation dairy farmers, having purchased his farm in the Bega valley some 33 years ago. This followed a long career in journalism. A year after purchasing the farm Max joined the Board of Bega Cheese Limited and from then has been part of the company's development to the current day. Max also became involved in Agri politics and at one stage headed up the dairy farmer lobby group in NSW and was Vice President of the National Dairy Representative Organisation.

During that time Max was invited onto other Boards and represented other organisations gaining broad experience in both the agri-political area and Board governance. Max chairs the Board of Peanut Company of Australia Pty Ltd.

Other current Directorships:
Chairman of Peanut Company of Australia Pty Ltd.

Former Directorships in the last 3 years:
Nil.

** Mr Irvin is currently on an approved leave of absence for health reasons from his role as Executive Chairman. The Board resolved that Mr Roberts will chair meetings of the Board during Mr Irvin's absence. Mr Irvin has appointed Mr Roberts to be his alternate Director during his leave of absence.*

Richard Cross

BAg Sci (Hon), GAICD

Director since December 2011
Member of the Nomination Remuneration & Human Resources Committee

Rick was appointed to the Board following the merger of Bega Cheese Limited and Tatura Milk Industries. Rick joined the TMI Board in 2003 and was heavily involved in negotiating the initial subscription by Bega of 70% shareholding in Tatura Milk. Rick also took a lead role in negotiating the scheme of arrangement for Bega to acquire the remaining 30% of Tatura Milk in December 2011.

Rick has represented dairy farmers in many various industry roles, and until recently was the Chair of Murray Dairy, Inc., a position he has held for the last three years. He also owns and actively manages a progressive dairy farm in Northern Victoria.

Other current Directorships: *Nil.*
Former Directorships in the last 3 years: *Director and Chairman of Murray Dairy Inc.*

Raelene Murphy

BBus, FCA, GAICD

Independent Director since June 2015
Chair of Audit and Risk Committee

Raelene Murphy has over 35 years' experience in strategic, financial and operational leadership in both industry and professional advisory. In her professional advisory career, she specialised in operational and financial restructuring including merger and acquisition integration. She was formerly a Managing Director at KordaMentha and a Partner in a national accounting firm where she led the corporate turnaround practice. Her industry experience includes as CEO of the Delta Group and senior executive roles in the Mars Group. Raelene is a Fellow of Chartered Accountants Australia and New Zealand.

Other current Directorships: *Non-executive Director of Clean Seas Seafood Limited; Non-executive Director of Integral Diagnostics Limited; Non-executive Director of Altium Limited; Non-executive Director of Ross House Investments Pty Limited (Stillwell Motor Group); Non-executive Director of Service Stream Limited.*
Former Directorships in the last 3 years: *Tassal Group Limited; and Deputy Chairman of the DOXA Youth Foundation.*

Terry O'Brien

FCPA, FAICD

Independent Director since September 2017
Chair of the Nomination Remuneration & Human Resources Committee
Member of the Audit & Risk Committee

Terry brings to the Board a wealth of experience in the food industry, including a period of the Chairmanship of the Australian Food and Grocery Council and has been responsible for leading growth and acquisition strategies over many years in the industry. Terry was, from 2001 until 2017, the Managing Director of Simplot Australia Pty Limited, the US owned, but Australian centric, food processor and marketer managing leading Australian brands including Birds Eye, Edgell and John West. Since announcing his retirement in early 2017, Terry has transitioned to a portfolio career and sits on a number of Australian Company Boards. An accountant by training, Terry has been active in finance and management roles in the textile industry for ten years and in the food industry for over thirty years. Terry is also Chairman of Clean Seas Seafood Ltd, Bundaberg Brewed Drinks Pty Ltd and Kookaburra Sports Pty Ltd.

Other current Directorships: *Chairman of A.G Thompson Pty Ltd (t/a Kookaburra Sport); Chairman of Bundaberg Brewed Drinks Pty Limited; Chairman of Clean Seas Seafood Limited; Director of Foodbank Australia; Member of the East Asia Review Commission (Advisory Board) of Societe d'Oxygene et d'Acetylene d'Extreme-Orient, a member of the Air Liquide Group.*

Former Directorships in the last 3 years: *Food Innovation Australia Limited.*

Jeff Odgers

BBus (Ag Mgt)

Director since December 2011
Chair of the Milk Services Committee

Jeff owns a dairy farming business near Shepparton, Victoria milking 750 cows.

He has 30 years' experience in managing large scale farm enterprises in Northern Victoria and Tasmania. Jeff has served in regional and national dairy industry leadership roles. He is a former Chairman of Murray Dairy Inc.

Other current Directorships: *Chairman of Dairy Australia Limited.*
Former Directorships in the last 3 years: *Nil.*

Richard Parbery

FCPA, MAICD

Director since September 1988
Member of the Audit & Risk Committee

Richard Parbery is the managing partner of a successful regional accounting practice, is a Fellow of the Australian Society of Certified Practicing Accountants, a registered Company Auditor, registered Tax Agent, a registered Self-Managed Superannuation Fund Auditor, Justice of the Peace NSW, an External Examiner for the Law Society of NSW and a member of the Australian Institute of Company Directors. Richard Parbery is experienced in servicing many agricultural and general business clients. Richard also controls a large family farm on the outskirts of Bega, New South Wales.

Other current Directorships: *Nil.*
Former Directorships in the last 3 years: *Nil.*

Principal activities

The principal activity of the Bega Cheese Group in the course of the financial year was receiving, processing, manufacturing and distributing dairy and other food-related products. A number of key events in relation to the activities of the Group during the year ended 30 June 2019 are set out in the Chairman's report, the Chief Executive Officer's review and the Review of Financial Performance and Operations which are to be read in conjunction with this Directors' report.

Dividends

	2019 $'000	2018 $'000
Interim ordinary dividend for the year ended 30 June 2019 of 5.5 cents	11,722	-
Final ordinary dividend for the year ended 30 June 2018 of 5.5 cents	10,178	-
Interim ordinary dividend for the year ended 30 June 2018 of 5.5 cents	-	10,178
Final ordinary dividend for the year ended 30 June 2017 of 5.0 cents	-	9,253

In addition to the above dividends, since the end of the financial year the Directors have recommended payment of a final ordinary dividend of $11.8 million (5.5 cents per fully paid share) to be paid on 1 October 2019.

Review of operations

A comprehensive review of operations is set out in the Review of Financial Performance and Operations.

Significant changes in the state of affairs

Other than that disclosed in the Chairman's report, the Chief Executive Officer's review and the Review of Financial Performance and Operations there have been no significant changes in the state of affairs of the Bega Cheese Group since the last Annual Report.

Indemnification and insurance premiums for officers

During the financial year, the Bega Cheese Group paid a premium in respect of a contract insuring the Directors and all executive officers of the Group and of any related body corporate against a liability incurred as such 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 Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Group or any related body corporate against a liability incurred as such an officer. This does not include remuneration or employment related benefits, any sum payable pursuant to a financial support direction or contribution notice issued in respect of any pension scheme, fines and pecuniary penalties for a deliberate or intentional act, nor amounts, which are prohibited to be paid by law.

Each Director has entered into a deed of access and indemnity with the Group, which indemnifies them for losses incurred as a Director or officer of Bega Cheese and places an obligation on the Bega Cheese Group to maintain a current Directors' and Officers' policy with a reputable insurer for the period of the Director's tenure and for a seven year tail period (or longer if there is an unresolved outstanding claim against the Director) and a contractual right of the Director to access Group records for the period of the Director's tenure and for a seven year tail period (or longer if there is an unresolved outstanding claim against the Director).

The Company has also agreed to indemnify the Company Secretaries and certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Company secretaries

The Company Secretary registered with the ASX is Brett Kelly FCA, GAICD. Brett Kelly was appointed to the position of Company Secretary in 2002. Brett Kelly holds a Bachelor of Commerce in Accounting and is a Chartered Accountant with 34 years' experience. He has also been a graduate member of the Australian Institute of Company Directors since 2006. Brett Kelly completed the Certificate in Governance and Risk Management with the Governance Institute of Australia in December 2011.

Colin Griffin CA was appointed to the position of Company Secretary in 1993. Colin Griffin holds a Bachelor of Arts in Accounting and is a Chartered Accountant with 36 years' experience. Colin Griffin's primary responsibility is as Chief Financial Officer (CFO).

Meetings of directors and board committees

The following table sets out the number of Board, Audit & Risk Committee, Nomination, Remuneration and Human Resources Committee, Milk Services Committee and Peanut Growing and Breeding Committee meetings held during the year ended 30 June 2018 and the number of meetings attended by each eligible Director and other members:

Meetings of the Audit & Risk Committee

	Held and Eligible	Attended
Raelene Murphy	6	6
Peter Margin[1]	4	4
Richard Parbery	6	6
Terry O'Brien[2]	6	6

Meetings of the Nomination, Remuneration and Human Resources Committee

	Held and Eligible	Attended
Peter Margin[1]	3	3
Richard Cross	4	4
Max Roberts	4	4
Terry O'Brien[3]	1	1

Meetings of the Milk Services Committee

	Held and Eligible	Attended
Jeff Odgers	3	3
Max Roberts	3	3

Meetings of the Peanut Growing and Breeding Committee[4]

	Held and Eligible	Attended
Max Roberts	1	1
Brett Kelly	1	1
Peter Watt	1	1
Stephen Rae	1	1

Meetings of the Board of Directors

	Held and Eligible	Attended
Barry Irvin[5]	15	15
Richard Cross[6]	17	16
Peter Margin[1]	9	9
Raelene Murphy	17	17
Jeff Odgers	17	17
Richard Parbery	17	17
Terry O'Brien[6]	17	16
Max Roberts[5]	17	17

1 Peter Margin resigned as a Director on 31 January 2019.

2 Terry O'Brien was appointed as a member of the Audit & Risk Committee at its meeting held on 20 August 2018.

3 Terry O'Brien was appointed as a member of the Nomination, Remuneration and Human Resources Committee at the Bega Board meeting held on 25 February 2019, and Chair at the Nomination, Remuneration and Human Resources Committee meeting held on 20 May 2019.

4 The Peanut Growing and Breeding Committee was established after approval of its Charter by the Bega Board at its meeting of 29 April 2019, with its first meeting being held on 28 May 2019.

5 Barry Irvin was granted a leave of absence at the Bega Board meeting held 20 May 2019, with Max Roberts being appointed as Chairman of the Board during Barry's absence.

6 Richard Cross and Terry O'Brien gave apologies in advance of the meetings they were unable to attend.

Environmental sustainability

Overview

We are committed to ensuring that our business continues to develop sustainably by reducing our impact on the natural environment with a specific focus on environmental compliance, responsible and ethical sourcing, product stewardship, resource efficiency, climate change, and ensuring a positive social impact.

To build on our commitment, in FY2019 we endorsed a Corporate Social Responsibility (CSR) Framework which focuses on areas of CSR with the most material impact and aligns our associated action plans with the United Nations Sustainability Goals. The details of the framework including Bega's priorities to 2030 and progress to date, will be disclosed within the FY2019 Sustainability Report.

Environmental regulations and management

Legislative framework

The Group is subject to Federal and State Environmental Acts and Regulations. These include reporting requirements under the National Greenhouse and Energy Reporting *Act* 2007 (Cth), the Environment Protection *Act* 1997 (NSW), the Protection of the Environment *Act* 1970 (Vic), the Environmental Protection *Act* 1994 (Qld) and the Clean Energy *Act* 2011 (Cth).

The Group's manufacturing sites are licenced under State Environment Protection Regulations. The licences stipulate performance standards as well as specific monitoring requirements for emissions (noise, air, odour, wastewater, etc.).

During FY2019 the Group complied with all statutory and voluntary reporting requirements and continues to monitor and report energy intensity and carbon footprint.

Major environmental initiatives

In FY2019, activities to reduce environmental impacts and ensure sustainability included:

- developing an ethical and sustainable sourcing policy to be endorsed by the Board in early FY2020. The policy is a precursor to the implementation of a supplier onboarding portal that will, amongst other things, assess suppliers against a number of ethical and sustainable sourcing requirements. High risk suppliers will be identified for risk mitigation
- invested $1.2 million to address environmental compliance and community concerns around smoke emissions from the Lagoon Street boiler has delivered significant energy cost savings. A comprehensive engineering review of the boiler's performance identified a range of improvements which were implemented between July and December 2018
- upgrades to air conditioner units within the dryers at our Koroit site, bringing about an annual energy saving of over 1.45 million kilowatts and an annual cost saving of $265,000
- process changes at our Tatura site to enable the reuse of condensate (a by-product created in the milk evaporation process) as clean water to supply the main cooling tower. This reduces water discharged from the site by approximately 54 mega litres per year
- achieving level 3 (advanced) for the core criteria of the Australian Packaging Covenant Organisation (APCO) Packaging Sustainability Framework for the 2019 APCO Annual Report by improving recyclability of packaging and increasing diversion from landfill at manufacturing facilities.

Sustainability strategy

On farm dairy sustainability

Farm sustainability has been a significant challenge for our milk suppliers in FY2019 with the drought directly impacting many of our dairy farming families. Irrigation water prices, particularly in Northern Victoria and feed prices in all regions placed significant strain on these suppliers.

Bega Better Farms was introduced in late 2018 to assist suppliers to meet regulatory compliance and to support the long-term resource sustainability and efficiency of their businesses. The program was well received by the supply base, however, as the drought tightened, in September 2018, the program was temporarily suspended, and the funds redirected to drought support initiatives. In the few months the program operated in FY2019 the following results were achieved.

Bega better farms (capital works grant support)

A grant of up to $5,000 is available for farm businesses to improve quality assurance and regulatory requirements. Farms that already meet their quality assurance and regulatory requirements can access the grant to support other on farm sustainability projects During the period the program was active in FY2019 a total of 62 farm businesses had projects approved. The table below details the number of projects and the categories addressed by each project.

Capital works projects - grant up to $5,000

BBF Categories	Project Approved	Project Completed
Animal health and welfare	21	14
Calf Mgt	10	7
Chemicals	3	1
Effluent	13	9
Energy	2	1
Irrigation and water	11	8
Soil and Nutrients	1	1
WHS	1	1
Grand Total	62	42
Fund Approved/ Paid	$301,500	$206,173

Bega better farms (advice and service support)

This is a $1,000 grant available to each dairy business annually to support professional advice to improve quality assurance requirements or the resource sustainability and efficiency of their business. A total of 40 farm businesses accessed the program.

Bega better farms (development and training)

Under this program individuals can apply for funding to participate in training programs. During the period 17 individuals were provided financial support under this program.

In FY2020 the Bega Better Farms program will re-commence, to date 23 capital works grant applications have been approved for funding.

Remuneration report (audited)

Introduction

This report sets out the remuneration of the Executive Chairman, Non-executive Directors, Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) being the key management personnel (KMP) of the Group, the executives accountable for planning, directing and controlling the affairs of the Group during the financial year to 30 June 2019.

Key Management Personnel (KMP)

Details of Directors are set out in the Directors' Report on pages 18 to 32.

The CEO is appointed by the Board on the recommendation from the Nomination, Remuneration and Human Resources Committee (NRHRC). The executive positions comprising KMP are determined by the NRHRC in consultation with the Executive Chairman and the CEO. The KMP are the Executive Chairman, the CEO and the CFO.

Name	Positions held	Entity
Paul van Heerwaarden	Chief Executive Officer	Group
	Executive Director	Tatura Milk
	Director	Bemore
Colin Griffin	Chief Financial Officer	Group
	Executive Director	Tatura Milk
	Director	Bemore
	Non-executive Director	CCFA

Remuneration governance

The NRHRC operates under a formal charter to assist the Board in relation to its responsibilities in identifying, attracting and remunerating Directors, the CEO and the CFO being the KMP of the Group.

The NRHRC provides guidance to the Executive Chairman and CEO in implementing decisions of the Board in relation to remuneration and strategic human resource planning.

The NRHRC has two key roles:

1. to assess and make recommendations to the Board on any changes to the composition of the Board with a view to ensuring that it is able to operate effectively and efficiently and adequately discharge its responsibilities and duties
2. to advise and assist the Board to ensure that the Group:
   a. has coherent human resources policies and practices which enable the Group to attract and retain Directors and Executives who will create value for shareholders and that support the Group's wider objectives and strategies
   b. fairly and responsibly remunerates Directors and Executives, having regard to the performance of the Group, the performance of the Executives and the market remuneration environment
   c. has effective human resources policies and procedures to attract, motivate and retain appropriately skilled people to meet the Group's current and future needs.

Further details of the role of the NRHRC are provided in the FY2019 Corporate Governance Statement published on the Bega Cheese Limited website.

www.begacheese.com.au/investors/corporate-governance

Remuneration guidelines

The Board, through the deliberations and recommendations of the NRHRC, is responsible for the remuneration strategy, principles and procedures for employees of the Group.

In setting the remuneration of Executive KMP, inclusive of base remuneration, Short-Term Incentive (STI) and the Long-Term Incentive (LTI) at-risk payment for the Executive Chairman, CEO and CFO, the Board takes recommendations from the NRHRC. In formulating its recommendations, the NRHRC takes into account a range of factors including Group financial performance and the remuneration market data for KMP operating in similar publicly listed organisations and industry sectors. The level of performance and contribution of the individual KMP is also a material factor in determining the total remuneration for each KMP.

Each KMP has a significant amount of their remuneration directly related to budgeted profit, free cash flow, safety and personal business objective targets clearly linked to the business strategy. The achievement of performance criteria resulting in remuneration at risk (RAR) payments for KMP, have a direct bearing on the earnings of the Group and its potential to reward shareholders.

In reviewing KMP remuneration in FY2019, the Executive General Manager Human Resources sourced current remuneration market data for comparable organisations based on revenue, market capitalisation, employee headcount and the industry sector. This information was taken into account by the NRHRC to determine base salary adjustments for the Executive Chairman for his executive duties, the CEO and CFO. The approved base salary adjustments were implemented with effect from 1 September 2018.

The external information received in support of the FY2018 KMP remuneration review was also referenced for the FY2019 review. This was then updated with details of general market remuneration movements from Aon Hewitt through their Major Companies Executive data base, obtained for a fee of $4,400. The Board confirmed that the remuneration recommendations were made free of undue influence by the KMP to whom the recommendations relate.

Directors' remuneration

Directors' remuneration is set by the Board within the maximum aggregate amount of $1,200,000 per annum approved by shareholders at the 2017 Annual General Meeting.

In order to maintain independence and impartiality, Non-executive Directors are not entitled to any form of incentive payments and the level of their fees is not set with reference to measures of Group performance. In setting Directors' fees, the Board takes into consideration the Group's existing remuneration policies, fees paid by comparable companies and the level of remuneration required to attract and retain Directors of the appropriate calibre.

The Group pays Chair and Committee fees to the Non-executive Directors out of the maximum aggregate fee pool approved by shareholders. These fees are set at levels which reflect the time commitments and responsibilities of their roles. Non-executive Directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred while engaged on the business of the Group. In reviewing the Board fees for FY2019, the Executive Manager Human Resources sourced current Board fee market data for comparable organisations based on revenue, market capitalisation, employee headcount and the industry sector.

In April 2018 Ernst and Young provided an independent review of external data relating to Board fees (Ernst and Young Board Report) and the fee charged was disclosed in the FY2018 Remuneration Report. Ernst and Young was provided with a brief from the Chairman of the NRHRC to arrange an independent market review against practices of peer companies. Peer companies were independently selected by Ernst and Young. The Ernst and Young Board Report provided guidance to the NRHRC that Non-Executive Director Board fees were beneath market practice. There was no change recommended to the Chairman's allowance or Board Committee fees. On the basis of the Ernst and Young Board Report guidance, Board Director fees were increased by 2.7% per Director inclusive of superannuation with effect from 1 November 2018.

During the year there was one change to the composition of the Board, with Peter Margin resigning from the Board on 31 January 2019. Terry O'Brien was subsequently appointed to the Chair of the NRHRC. There was no change to the Chairs of the two other Board Committees, being the Audit & Risk Committee and the Milk Services Committee.

During the year a Peanut Growing and Breeding Committee was established with Max Roberts as Chair, with three Bega senior employees as committee members. Bega employee committee members do not receive any committee fees.

The following table summarises the previous and current level of all Directors' fees and allowances:

	Annual amount including super	
	Rate from 1/7/18 to 31/10/18	Rate as from 1/11/2018
Fees and allowances by role	$	$
Chairman of the Board	184,500	184,500
Director fees	87,640	90,000
Chair of Audit & Risk Committee	20,000	20,000
Audit & Risk Committee member allowance	10,000	10,000
Chair of NRHRC	17,500	17,500
NRHRC member allowance	8,750	8,750
Chair of Milk Services Committee	10,000	10,000
Milk Services Committee member allowance	5,000	5,000
Chair of Peanut Company of Australia Pty Ltd and Chair of Peanut Growing and Breeding Committee*	-	65,500

Remuneration of the Executive Chairman

The Board determines the remuneration of the Executive Chairman and excludes the Executive Chairman from its deliberations in relation to the level of remuneration which should be applied.

Consistent with previous years, the Board agreed that the remuneration of the Executive Chairman be split as to his responsibilities as Chairman of the Board and as to his responsibilities as the most senior executive of the Group.

In FY2019, the Board reviewed the remuneration of the Executive Chairman for his executive duties and this was adjusted from 1 September 2018, in conjunction with a recommendation from the NRHRC. In making its recommendation, the NRHRC took account the benchmarking and related information referred to in the above Remuneration Guidelines.

While the Executive Chairman is on an approved leave of absence the acting Chairman Max Roberts is receiving a Chairman's allowance as determined by the NRHRC.

Executive duties

The remuneration of the Executive Chairman for executive duties in FY2019 was set in accordance with the following principles:

- a base salary of $414,996, inclusive of superannuation, which is not subject to specific performance or deliverables criteria and is generally considered fixed for the duration of the relevant annual review period, which was adjusted from 1 September 2018
- a short-term incentive up to $207,498, that was subject to achievement of agreed performance outcomes, as approved by the NRHRC in August 2018
- a long-term incentive up to $207,498, that is subject to the achievement of performance hurdles, as determined by the NRHRC in August 2018.

In relation to the executive duties carried out by the Executive Chairman, the key terms of his services agreement with the Group were unchanged as follows:

Term	Ongoing, subject to termination rights set out in the service agreement.
Termination by Group	Six months' notice or payment in lieu of such minimum notice, or without notice where the termination is "for cause". Forthwith in the event of incapacity or breach of the service agreement by the Executive Chairman without remedy
Termination by Executive	Six months' notice or lesser period as agreed by the Group.
Payments on Termination	Salary and statutory entitlements up to the date of termination and, if applicable, payment in lieu of the minimum notice period as per above.

* effective from 1 June 2019

Non-executive duties

The basis of remuneration of the Executive Chairman, in his capacity as a Director on the Board with non-executive responsibilities, is consistent with the details of Directors' Remuneration set out above.

Remuneration of the CEO

The Board, having regard to recommendations received through the NRHRC, determines the remuneration of the CEO.

The remuneration of the CEO was adjusted from 1 September 2018, through the benchmarking and recommendation process referred to in the above Remuneration Guidelines.

The remuneration of the CEO in FY2019 was set in accordance with the following principles:

- an annual base salary of $735,438, inclusive of superannuation, which is not subject to specific performance or deliverables criteria and is generally considered fixed for the duration of the relevant annual review period, as approved by the Executive Chairman and the NRHRC in August 2018
- a short-term incentive up to $367,718 subject to the achievement of agreed performance outcomes as approved by the Executive Chairman and the NRHRC in August 2018
- a long-term incentive plan up to $367,718, that is subject to the achievement of performance hurdles, as determined by the NRHRC in August 2018.

The CEO has a service agreement the key terms of which were unchanged as follows:

Term	Ongoing, subject to termination rights set out in the service agreement.
Termination by Group	Six months' notice or payment in lieu of such minimum notice, or without notice where the termination is "for cause". Forthwith in the event of incapacity or breach of the service agreement by the CEO without remedy.
Termination by Executive	Six months' notice or lesser period as agreed by the Group
Payments on Termination	Salary and statutory entitlements up to the date of termination and, if applicable, payment in lieu of the minimum notice period as per above.

Remuneration of the CFO

The Board, having regard to recommendations received through the NRHRC, determines the remuneration of the CFO.

The remuneration of the CFO in FY2019 was adjusted from 1 September 2018, through the benchmarking and recommendation process referred to in the above Remuneration Guidelines.

The remuneration of the CFO in FY2019 was set in accordance with the following principles:

- an annual base salary of $455,818, inclusive of superannuation, which is not subject to specific performance or deliverables criteria and is generally considered fixed for the duration of the relevant annual review period, as approved by the NRHRC in August 2018
- a short-term incentive up to $182,327 subject to the achievement of agreed performance outcomes, as approved by the NRHRC in August 2018
- a long-term incentive plan up to $91,164, that is subject to the achievement of performance hurdles, as determined by the NRHRC in August 2018.

The CFO has a service agreement, the key terms of which were unchanged as follows:

Term	Ongoing, subject to termination rights set out in the service agreement.
Termination by Group	One year's notice or payment in lieu of such minimum notice, or without notice where the termination is "for cause". Forthwith in the event of incapacity, breach of the service agreement by the executive without remedy.
Termination by Executive	One year's notice or lesser period as agreed by the Group.
Payments on Termination	Salary and statutory entitlements up to the date of termination and, if applicable, payment in lieu of the minimum notice period as per above.

Inclusion of at-risk component in total remuneration package

KMP, other than Non-executive Directors, each have part of their total remuneration at risk (RAR). The payment of the short-term RAR component is subject to the actual performance of the individual and the Group against determined financial and non-financial criteria.

The criteria to be applied are reviewed by the Board on an annual basis to ensure that they closely align with the specific corporate, leadership and financial objectives of the Group. The strategic plan, business and operating plans and annual budgets are the key reference points used in determining the criteria. Each year the NRHRC makes a recommendation to the Board for approval in respect of the determined criteria for all KMP.

For FY2019 each Executive KMP had a documented performance agreement that set individual performance objectives, described success factors for each objective and identified development opportunities that would help them in their current and future roles.

The performance objectives were clearly linked to the key strategic areas set for the business and aligned with the Group's values and performance objectives including improvement in Group safety performance, sales and volume growth, cost reduction and margin improvement and product quality improvement and customer service metrics.

Each Executive KMP's performance was assessed at the end of the financial year against their agreed objectives. Overall performance was assessed considering what was achieved in total across all objectives, how this was achieved and by an assessment of personal adherence to the Group's values.

Executive KMP whose performance is rated as "under achieved" would not receive a base salary review, nor would they be entitled to any outcome under the RAR program. Whilst actual performance of the individual Executive KMP is an important criterion in adjusting their base remuneration, the remuneration recommendations of the NRHRC also take into account the financial performance of the Group.

At the end of the financial year the NRHRC reviews the performance of the Executive Chairman relating to his executive duties against determined criteria and has access to all relevant information in conducting this assessment. The NRHRC makes a recommendation for the outcome of the Executive Chairman's RAR component of his remuneration to the Board for final review and approval.

At the end of the financial year the Executive Chairman assesses the actual performance of the CEO against determined criteria and has access to all relevant information in conducting this assessment. The Chairman also liaises with the Chair of the NRHRC and other Directors before making a recommendation for the outcome of the CEO's RAR component of his remuneration to the NRHRC prior to it being submitted to the Board for final review and approval, including reference to the attainment of budgeted profit.

At the end of the financial year, the CEO assesses a report from the Executive General Manager Human Resources as to the actual performance of the CFO and other Executives reporting to the CEO against the determined criteria. The CEO also considers the audited Annual Report and other factors in formulating a recommendation as to the outcomes for the RAR component of the remuneration for the CFO. A report and recommendation are then submitted to the NRHRC prior to being submitted to the Board for final review and approval. Board approval is required before the RAR component of the remuneration is paid to the CFO.

Long-term incentive plan

Following a review by the NRHRC of remuneration structures in FY2017, the Board established a long-term incentive plan as part of the remuneration framework for each of the Executive Chairman and the CEO. A further NRHRC review of remuneration structures in FY2018 recommended that a long-term incentive plan be extended to the Executives reporting to the CEO.

The purpose of the Long-Term Incentive Plans (LTIPs) is to:

- assist in the retention, motivation and reward of the Executive Chairman, CEO and Executive reports
- link the reward of the Executive Chairman, CEO and Executive reports to shareholder value creation
- align the economic interests of the CEO and Executive reports with shareholders by providing an opportunity to be rewarded via an equity interest in the Group based on creating shareholder value. The Executive Chairman and CEO have identical performance targets for Earnings Per Share (EPS) and Return on Funds employed (ROFE).

Long-term incentive plan FY2019 to FY2021

The FY2019 LTIP is designed to reward the CEO and Executive reports to the CEO for long term performance and long term value creation for shareholders. The table below outlines the key features of the FY2019 LTIP as it applies to the CEO and Executive reports to the CEO.

Vesting percentage	EPS growth targets
Nil vesting	below 5% compound annual growth over the performance period
50% vesting	at 5% compound annual growth over the performance period
Pro-rated vesting between 50% and 100%	between 5% and 10% compound annual growth over the performance period
100% vesting	at 10% or above compound annual growth over the performance period

Vesting percentage	ROFE targets
Nil vesting	below 7% determined at the end of each year the performance period
50% vesting	at 7% determined at the end of each year the performance period
Pro-rated vesting between 50% and 100%	between 7% and 10% determined at the end of each year the performance period
100% vesting	at 10% or above determined at the end of each year the performance period

The Board retains the discretion to adapt the calculation of the Long-term Incentive Plan measures of the Earnings Per Share and Return on Funds Employed performance hurdles to reflect the impact of significant events, such as capital raising or corporate activity, that may occur during the performance periods.

Provided below are the details of Long-Term Incentive Plans for each of the Executive Chairman, the CEO and the CFO.

Long-term incentive plan – Executive Chairman

The Executive Chairman participates in two long-term incentive plans, being the 'Executive Chairman's Long-Term Incentive (LTI) Cash Plan (i) FY2018 to FY2020 and (ii) FY2019 to FY2021'.

The Executive Chairman is a substantial shareholder of Bega Cheese and his personal financial interests are already aligned with other shareholders. The opportunity to receive further shares in Bega Cheese under a share-based long-term incentive plan may be seen to provide the Executive Chairman with an opportunity to increase his shareholding in a manner not available to other substantial shareholders.

As such, the Executive Chairman's LTI Cash Plan, FY2018 to FY2020 and FY2019 to FY2021 is to be paid in cash, as detailed below.

Executive Chairman's LTI Cash Plan (i) FY2018 to FY2020, and (ii) FY2019 to FY2021

Grant Date:	(i) 1 July 2017; and (ii) 1 July 2018
Vesting Date:	(i) 30 June 2020; and (ii) 30 June 2021
Potential value of Plan:	(i) $197,500; and (ii) $202,437 Subject to the satisfaction of the performance hurdles and the vesting conditions (set out below).
Vesting Conditions:	No payment will be made unless the Executive Chairman remains employed with the Group during the entire performance period (i) 1 July 2017 to 30 June 2020; and 1 July 2018 to 30 June 2021.
Performance Hurdles:	**Earnings Per Share (EPS) Performance Rights** 50% of the potential value of the Plan granted will be subject to a performance hurdle based on the achievement of certain EPS growth targets for the FY2018 to FY2020 plan and 55% for the FY2019 to FY2021 plan. Those EPS growth targets are set out in the table on page 26 and apply over the entire performance period. **Return On Funds Employed (ROFE) Performance Rights** 50% of the potential value of the Plan will be subject to a performance hurdle based on the achievement of certain ROFE targets for the FY2018 to FY2020 plan and 45% for the FY2019 to FY2021 plan. Those ROFE targets are set out in the table on page 26 and apply over the entire performance period. ROFE is calculated as the Group's earnings before interest and taxation, adjusted for any non-operating items, divided by shareholder's funds plus net interest-bearing debt.

Long-term incentive plan – Chief Executive Officer and Chief Financial Officer

The CEO and CFO participate in two long-term incentive plans, being the 'LTI Performance Rights Plan (i) FY2018 to FY2020 and (ii) FY2019 to FY2021'. Given that the CEO and CFO are not substantial shareholders in Bega Cheese the Board has agreed that the best way to align the performance of the CEO and CFO with the interests of shareholders is for the outcome available under their long-term incentive to be based on performance rights over ordinary shares in the Company.

The number of performance rights for the LTI Performance Rights Plan (i) FY2018 to FY2020 and (ii) FY2019 to FY2021 is calculated using the 'face value' method.

The face value of the performance rights for allocation purposes under the (i) FY2018 to FY2020 plan is $6.13. This was calculated by taking the five-day volume weighted average price of Bega Cheese Limited of $6.39 per share as at 1 July 2017, being the effective date of the CEO and CFO's long-term incentive plan agreements, and then deducting the present value of expected dividends forgone over the duration of the Plan (i.e. the dividends not received until the performance rights vest).

The face value of the performance rights for allocation purposes under the (ii) FY2019 to FY2021 plan is $6.98. This was calculated by taking the five-day volume weighted average price of Bega Cheese Limited of $7.41 per share as at 1 July 2018, being the effective date of the CEO and CFO's long-term incentive plan agreement, and then deducting the present value of expected dividends forgone over the duration of the Plan.

Subject to the satisfaction of the performance hurdles and the vesting conditions (set out below), each performance right issued under the plan is converted into one fully paid ordinary share in the Group.

Exercise Price:	There is no exercise price payable in relation to the exercise of the performance rights.
Vesting Conditions:	No performance right granted will vest and be automatically exercised unless the CEO or CFO remains employed with the Group during the entire performance period from (i) 1 July 2017 to 30 June 2020; and from 1 July 2018 to 30 June 2021.
Performance Hurdles:	**Earnings Per Share (EPS) Performance Rights** 50% of the potential value of the Plan granted will be subject to a performance hurdle based on the achievement of certain EPS growth targets for the FY2018 to FY2020 plan and 55% for the FY2019 to FY2021 plan. Those ROFE growth targets are set out in the table on page 26 and apply over the entire performance period. **Return on Funds Employed (ROFE) Performance Rights** 50% of the potential value of the Plan granted will be subject to a performance hurdle based on the achievement of certain EPS growth targets for the FY2018 to FY2020 plan and 45% for the FY2019 to FY2021 plan. Those ROFE growth targets are set out in the table on page 26 and apply over the entire performance period.

Additional Rules applicable to the CEO and CFO LTI Performance Rights Plan (i) FY2018 to FY2020, and (ii) FY2019 to FY2021

Dividends and voting rights: There are no voting or dividend rights until the performance rights vest and are automatically exercised and then ordinary shares are held in the Group.

Dividend reinvestment: Additional performance rights are not granted as a result of holding performance rights when dividends are declared by the Group.

Restrictions on Performance Rights: The CEO and CFO may not transfer or encumber the performance rights with a security interest without the consent of the Board.

Lapse of Performance Rights: Performance rights that have not vested as at the relevant performance measurement date will automatically lapse, unless otherwise determined by the Board.

All performance rights will also lapse in other circumstances, including, but not limited to, where the CEO and CFO has acted fraudulently or dishonestly in the opinion of the Board.

CEO LTI Performance Rights issued under the Plan (i) FY2018 to FY2020 and (ii) FY2019 to FY2021

Grant Date:	(i) 1 July 2017; and (ii) 1 July 2018
Vesting Date:	(i) 30 June 2020; and (ii) 30 June 2021
Number of Performance Rights offered:	(i) 57,951; and (ii) 51,343

CFO LTI Performance Rights issued under the Plan (i) FY2018 to FY2020, and (ii) FY2019 to FY2021

Grant Date:	(i) 1 July 2017; and (ii) 1 July 2018
Vesting Date:	(i) 30 June 2020; and (ii) 30 June 2021
Number of Performance Rights offered:	(i) 14,369; and (ii) 12,730

Long-term incentive plan FY2017 to FY2019 outcome

The FY2017 to FY2019 LTIP award which matured in 2019 did not vest into cash in the case of the Executive Chairman or shares in the case of the CEO as both the ROFE and EPS targets under the 2017 plan were not met. The performance rights issued to the CEO under the FY2017 to FY2019 Plan have therefore lapsed.

KMP remuneration at-risk (RAR) outcome

RAR Gateways

The Executive Chairman, CEO and CFO are only entitled to any outcomes of the RAR Plan if specific gateways are achieved. These gateways ensure that:

- RAR payments are aligned to the Group's key strategic and business objectives
- no RAR payments would be made unless the Group achieves or exceeds targeted profit (having accrued for the payout of the at-risk program in that year)
- no RAR payments are made if during the year there is a major safety, quality or environmental event that is within the reasonable control of the Group.

Individual gateways also applied to the Executive Chairman, CEO and CFO relating to individual performance with additional gateways relating to participation in safety, quality and environmental programs. These gateways ensure that:

- no RAR payment would be made unless the individual KMP executed their duties in a proper and effective manner
- no RAR payment would be made unless the individual actively participated in key programs around safety, quality and environment, all of which are seen as essential leadership components of the role of KMP.

Executive Chairman

At the commencement of FY2019 the Board determined the RAR key performance indicators (KPIs) for the Executive Chairman with 40% of these KPIs relating to the financial performance of the Group and 60% directly aligned with the executive duties attached to the role of Executive Chairman in executing the Group's strategic plan, in particular strategic business development and Board succession planning.

The Executive Chairman achieved 32.4/60 of personal KPIs, 0/20 ROFE targets and 5.5/20 of Group financial performance KPIs. As a result, the Executive Chairman is entitled to 37.9% of the payment under the approved 2019 RAR Plan.

Chief Executive Officer and Chief Financial Officer

The RAR component for the CEO and CFO for FY2019 was determined in accordance with the 2019 RAR Plan approved by the Board.

If Group and individual gateways were both met, the CEO and CFO could achieve a RAR payment based on the achievement of the normalised Group EBITDA budget and stretch targets (55%), safety (10%), cash flow (15%) and strategic personal objective targets (20%). The CEO and CFO achieved 27% of the Group EBITDA target, 0% for cash flow target, 80% of personal KPI's and 60% for Group safety performance. As a result the CEO and CFO are entitled to 37% of the payment under the approved 2019 RAR Plan.

The maximum RAR for the CEO totalled 50% of his total fixed remuneration. The maximum RAR for the CFO totalled 40% of his total fixed remuneration.

The following outcomes were achieved with RAR Group and individual gateways opening:

CEO	Group gateways	Individual gateways	EBITDA 55%	OH&S criteria 10%	Free cash flow budget 15%	Personal objectives 20%	Total achieved %	Total forfeited %	Total fixed rem'n 2019 $	Outcome $
Paul van Heerwaarden	√	√	15%	6%	0%	16%	37%	63%	735,438	136,056
KMP										
Colin Griffin	√	√	15%	6%	0%	16%	37%	63%	455,889	67,472

Relationship between remuneration policy and group performance

Bega Cheese became a disclosing entity in FY2011 and as a result, the relationship between remuneration policy and Group performance has been assessed with effect from that year.

The key indicators of Group performance and shareholder wealth relevant to the remuneration of KMPs that have been extracted from the financial statements are as follows:

Key performance indicator		FY2019 Actual	FY2019 Normalised	FY2018 Actual	FY2018 Normalised	FY2017 Actual	FY2017 Normalised	FY2016 Actual	FY2016 Normalised	FY2015 Actual	FY2015 Normalised	FY2019 vs FY2018 Normalised Amount	FY2019 vs FY2018 Normalised %
Enterprise value	$m	1,309	1,309	1,617	1,617	882	1,334	914	914	719	719	(308)	(19)
Profit before tax	$'000	18,911	55,431	50,884	69,036	198,038	43,155	39,900	40,504	16,434	30,161	(13,605)	(20)
Profit after tax	$'000	11,819	38,301	28,768	44,003	138,748	30,331	28,779	29,202	12,408	22,017	(5,702)	(13)
Dividends per share	Cents	11.00	11.00	11.00	11.00	10.00	10.00	9.50	9.50	8.50	8.50	-	-
Earnings per share	Cents	5.7	18.5	15.6	23.9	90.9	19.9	18.9	19.1	8.1	14.4	(5.4)	(23)
Total shareholder return	%	(33.01)	(33.01)	15.51	15.51	16.70	16.70	32.91	32.91	(9.34)	(9.34)	(49.45)	(319)
KMP total remuneration	$'000	3,025	3,025	3,658	3,658	5,415	5,415	4,962	4,962	3,623	3,623	(633)	(17)

The outcomes above resulted in the RAR gateways opening and achievement of Group and individual RAR outcomes as outlined in the previous tables.

Bega Cheese Enterprise Value is calculated as at 30 June each year as market capitalisation plus debt less cash, with the FY2017 normalised amount excluding the impact of a one-off large cash balance pending the settlement of the Mondelēz Grocery Business acquisition that followed on 4 July 2017.

Details of remuneration

		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payment	Total
		Cash salary and fees	Short-term incentive	Superannuation	Leave [1]	Long-term incentive [2]	Equity settled performance rights [3]	All amounts
		$	$	$	$	$	$	$
Executive Chairman								
Barry Irvin [4]	2019	572,810	78,642	25,000	50,572	1,646	-	728,670
	2018	561,290	182,194	25,000	64,139	131,666	-	964,289
Executives								
Paul van Heerwaarden	2019	707,448	136,056	25,000	91,769	-	3,915	964,188
	2018	695,168	296,686	25,000	71,923	-	235,450	1,324,227
Colin Griffin	2019	429,036	67,472	25,000	57,265	-	58,941	637,714
	2018	417,962	147,130	25,000	53,337	-	29,280	672,709
Total Executive Remuneration	2019	1,709,294	282,170	75,000	199,606	1,646	62,856	2,330,572
	2018	1,674,420	626,010	75,000	189,399	131,666	264,730	2,961,225
Non-executive Directors								
Richard Cross	2019	89,344	-	8,488	-	-	-	97,832
	2018	87,256	-	8,289	-	-	-	95,545
Peter Margin [5]	2019	67,693	-	-	-	-	-	67,693
	2018	114,303	-	-	-	-	-	114,303
Raelene Murphy	2019	99,738	-	9,475	-	-	-	109,213
	2018	97,650	-	9,277	-	-	-	106,927
Jeff Odgers	2019	90,606	-	8,608	-	-	-	99,214
	2018	88,517	-	8,409	-	-	-	96,926
Richard Parbery	2019	90,606	-	8,608	-	-	-	99,214
	2018	88,517	-	8,409	-	-	-	96,926
Richard Platts [6]	2019	-	-	-	-	-	-	-
	2018	15,008	-	1,426	-	-	-	16,434
Max Roberts	2019	106,087	-	10,078	-	-	-	116,165
	2018	91,822	-	8,723	-	-	-	100,545
Terry O'Brien [7]	2019	96,179	-	9,137	-	-	-	105,316
	2018	69,114	-	-	-	-	-	69,114
Total Non-Executive Remuneration	2019	640,253	-	54,394	-	-	-	694,647
	2018	652,187	-	44,533	-	-	-	696,720
	2019	2,349,547	282,170	129,394	199,606	1,646	62,856	3,025,219
	2018	2,326,607	626,010	119,533	189,399	131,666	264,730	3,657,945

(1) The expense relates to the combined long service and annual leave accrual during the year.
(2 Long-term incentive based on the achievement of specified milestones of the Executive Chairman's LTI Plan. The amount reflects the expense for the FY2019 proportion of the cash incentive due to vest in 2020 ($65,833) and in 2021 ($67,479). This is offset by the prior period expense relating to the FY17 to FY19 LTI plan not vesting. Further details of the Executive Chairman's LTI Plan are set out in the Summary of Plans above.
(3) Amounts under share-based payments represent the accounting outcome for LTI Plans based on the face value of the performance rights allocated and calculated in accordance with accounting standards. The amount of $62,856 in FY2019 reflects the expense for the FY2019 proportion of the valuation of share rights to vest in 2020 ($147,773) and in 2021 ($149,162). This is offset by the prior period expense relating to the FY17 to FY19 LTI plan not vesting. Further details of the CEO's and CFO's LTI Plan are set out in the Summary of Plan above.
(4) Includes remuneration for Non-executive Chairman responsibilities. Gardiner Foundation Board duties ceased in October 2017.
(5) Board Director Peter Margin resigned from the Board on 31 January 2019.
(6) Board Director Richard Platts retired from the Board on 4 September 2017.
(7) Terry O'Brien commenced as a Board Director on the 14 September 2017.

Other matters

Related party transactions

Shareholdings

The number of shares held by Directors and KMP during the year including their close family members and entities related to them are as follows:

2019 - Numbers of ordinary shares	Balance at start of year	Other changes during the year	Balance at the end of the year
Executive Chairman			
Barry Irvin	2,707,841	-	2,707,841
Executive KMP			
Colin Griffin	145,000	538	145,538
Paul van Heerwaarden	47,857	-	47,857
Non-executive Directors			
Richard Cross	240,058	(30,000)	210,058
Peter Margin	9,357	(9,357)	-
Raelene Murphy	5,964	3,000	8,964
Jeff Odgers	120,031	(99,760)	20,271
Richard Parbery	2,666,869	2,113	2,668,982
Terry O'Brien	7,857	2,263	10,120
Max Roberts	1,457,857	-	1,457,857

Transactions relating to milk

During the year, some Directors and their related entities had transactions with Bega Cheese Group relating to the supply of milk (Supplier Directors). These transactions were on the same normal commercial terms as other suppliers and are summarised in the table below:

	CONSOLIDATED	
	2019 $	2018 $
Payments made by the Group during the year	7,150,526	7,060,605
Amounts outstanding at year end	543,743	499,694

Likely developments and expected results of operations

Other than as disclosed in the Chairman's report, the Chief Executive Officer's review and the review of financial performance and operations information on likely developments has not been included because disclosure would likely result in unreasonable prejudice to the Group.

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Matters subsequent to the end of the financial year

On 28 August 2019, the Directors declared a final fully franked dividend of 5.5 cents per share, which represents a distribution of $11.8 million.

On 21 August 2019 the Trade Receivables Facility was extended to 31 August 2020, with the balance of $200 million being committed.

No other matters or circumstances occurring subsequent to the end of the financial year have 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.

Auditor

Details of the amounts paid or payable to PricewaterhouseCoopers (PwC) Australia for audit and non-audit services provided during the financial year are set out in note 31.

The Board of Directors have considered the position and in accordance with advice from the Audit & Risk Committee are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics* for Professional Accountants.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

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

Max Roberts
Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

28 August 2019

Auditor's Independence Declaration

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

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

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

This declaration is in respect of Bega Cheese Limited and the entities it controlled during the period.

P.J. Carney

Paddy Carney
Partner

PricewaterhouseCoopers

Sydney
28 August 2019

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Corporate Governance Statement

The Bega Cheese Group is committed to achieving and maintaining the highest standards of accountability and transparency in the management and conduct of its business.

The Board has adopted corporate governance policies and practices that it believes are consistent with the continued growth and success of the Group and the ongoing enhancement of value for the Bega Cheese Group shareholders.

The Corporate Governance Statement outlines the key aspects of the Group's corporate governance framework and is available on the Group's website at **www.begacheese.com.au/investors/corporate-governance/**

The Board considers that the Group's corporate governance framework and practices have complied with the ASX Recommendations for the financial year, except otherwise detailed in the Corporate Governance Statement.


Bega

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Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	CONSOLIDATED 2019 $'000	Restated* 2018 $'000
Revenue	5	1,419,952	1,252,041
Cost of sales		(1,129,674)	(980,089)
Gross profit		**290,278**	**271,952**
Other revenue	5	9,968	7,203
Other income	5	2,466	3,054
Distribution expense		(84,986)	(73,490)
Marketing expense		(38,267)	(39,123)
Occupancy expense		(13,542)	(10,331)
Administration expense		(100,776)	(82,993)
Transaction costs relating to Bega Foods acquisition		-	(16,602)
Transaction costs relating to PCA acquisition		-	(3,142)
Transaction costs relating to Koroit acquisition		(11,019)	-
Impairment of assets	6	(10,229)	-
Coburg site closure costs		(4,942)	-
Finance costs	6	(20,363)	(10,676)
Share of net profit of joint venture	24	323	606
Bargain purchase		-	4,426
Profit before income tax		**18,911**	**50,884**
Income tax expense	7a	(7,092)	(22,116)
Profit for the year attributable to owners of Bega Cheese Limited		**11,819**	**28,768**
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss			
Cash flow hedges		714	(574)
Change in the fair value of financial assets at fair value through other comprehensive income		(8)	87
Total other comprehensive (expense)/income		**706**	**(487)**
Total comprehensive income for the year attributable to owners of Bega Cheese Limited		**12,525**	**28,281**

	Notes	2019 Cents	2018 Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:			
Basic earnings per share	3	5.7	15.6
Diluted earnings per share	3	5.7	15.6

* See note 33(a) for details about restatements due to changes in accounting policies.
The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		CONSOLIDATED	
	Notes	2019 $'000	Restated* 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	19	28,760	21,669
Trade and other receivables	8	179,910	221,431
Derivative financial instruments	9	754	707
Inventories	10	274,146	211,210
Current tax assets		6,008	14,014
Total current assets		**489,578**	**469,031**
Non-current assets			
Financial assets at fair value through other comprehensive income (FVOCI)	9	716	635
Property, plant and equipment	11	443,331	323,585
Deferred tax assets	7e	4,444	3,589
Other receivables	8	14,028	6,120
Intangible assets	12	535,147	411,463
Investments accounted for using the equity method	24	1,341	1,393
Total non-current assets		**999,007**	**746,785**
Total assets		**1,488,585**	**1,215,816**
LIABILITIES			
Current liabilities			
Trade and other payables	13	265,866	225,910
Derivative financial instruments	15	175	2,018
Borrowings	14	13	121
Current tax liabilities		-	6,737
Provisions	16	48,996	43,405
Total current liabilities		**315,050**	**278,191**
Non-current liabilities			
Borrowings	14	316,058	266,982
Provisions	16	1,773	1,784
Deferred tax liabilities	7e	29,768	36,868
Total non-current liabilities		**347,599**	**305,634**
Total liabilities		**662,649**	**583,825**
Net assets		**825,936**	**631,991**
EQUITY			
Share capital	17a	477,494	274,862
Reserves	18a	22,860	21,466
Retained earnings		325,582	335,663
Capital and reserves attributable to owners of Bega Cheese Limited		**825,936**	**631,991**
Total equity		**825,936**	**631,991**

* See note 33(a) for details about restatements due to changes in accounting policies.
The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	CONSOLIDATED							
Consolidated	Share capital $'000	Share-based payment reserve $'000	Capital profits reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Transactions with non-controlling interests $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2017	224,692	211	33,959	132	(79)	(12,567)	326,326	572,674
Profit for the year	-	-	-	-	-	-	28,768	28,768
Other comprehensive (expense)/income for the year	-	-	-	(574)	87	-	-	(487)
Transactions with owners in their capacity as owners:								
- Issue of shares, net of transaction costs and tax (note 17)	50,170	-	-	-	-	-	-	50,170
- Share-based payments relating to incentives (note 32)	-	391	-	-	-	-	-	391
- Other share scheme movement (note 32)	-	(94)	-	-	-	-	-	(94)
- Dividends provided for or paid (note 4)	-	-	-	-	-	-	(19,431)	(19,431)
Balance as at 30 June 2018	**274,862**	**508**	**33,959**	**(442)**	**8**	**(12,567)**	**335,663**	**631,991**
Balance as at 1 July 2018	274,862	508	33,959	(442)	8	(12,567)	335,663	631,991
Profit for the year	-	-	-	-	-	-	11,819	11,819
Other comprehensive income/(expense) for the year	-	-	-	714	(8)	-	-	706
Transactions with owners in their capacity as owners:								
- Issue of shares, net of transaction costs and tax (note 17)	202,632	-	-	-	-	-	-	202,632
- Share-based payments relating to incentives (note 32)	-	688	-	-	-	-	-	688
- Dividends provided for or paid (note 4)	-	-	-	-	-	-	(21,900)	(21,900)
Balance as at 30 June 2019	**477,494**	**1,196**	**33,959**	**272**	**-**	**(12,567)**	**325,582**	**825,936**

The above Consolidated Statement of Change in Equity should be read in conjunction with the accompanying note.

Consolidated Statement of Cash Flows

	Note	CONSOLIDATED 2019 $'000	Restated* 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of goods and services tax		1,422,126	1,313,703
Payments to suppliers and employees inclusive of goods and services tax		(1,476,828)	(1,218,704)
Net proceeds from Trade Receivables Facility		188,601	-
Interest and other costs of financing paid		(20,363)	(10,676)
Income taxes paid	7f	(13,264)	(25,759)
Net cash inflow from operating activities	19	**100,272**	**58,564**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of shares in listed companies		30,981	2,700
Payments for shares in listed companies		(29,609)	(623)
Payments for shares in unlisted companies		(716)	-
Interest received		411	854
Dividend received		15	25
Payments for property, plant and equipment	11	(42,300)	(26,998)
Net proceeds from sale of property, plant and equipment		203	10,014
Payments for intangible assets	12	(20,049)	(19,570)
Tax paid on sale of infant nutritional assets		-	(53,438)
Payment for acquisition of Bega Foods		-	(452,726)
Payment for acquisition of PCA, net of cash acquired		-	(11,658)
Payment for acquisition of Koroit		(251,173)	-
Payments related to corporate activity		(11,019)	(13,916)
Joint venture distributions received	24	375	500
Net cash outflow from investing activities		**(322,881)**	**(564,836)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		395,083	69,693
Repayment of borrowings		(346,011)	(45,944)
Payment of finance lease liabilities		(104)	(1,881)
Net proceeds from issue of shares		199,859	49,971
Dividends paid to members		(19,127)	(19,431)
Net cash inflow from financing activities		**229,700**	**52,408**
Net increase/(decrease) in cash and cash equivalents		**7,091**	**(453,864)**
Cash and cash equivalents at the beginning of the year		21,669	475,533
Cash and cash equivalents at the end of the year	19	**28,760**	**21,669**

* See note 33(a) for details about restatements due to changes in accounting policies.
The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

How numbers are calculated

1. Significant events in the accounting period

A. Koroit acquisition
On 17 August 2018 Bega Cheese announced that it had completed the purchase of Saputo's dairy processing facility at Koroit in Western Victoria. Following the acquisition, the activities of the Koroit facility were consolidated within the Bega Cheese Limited entity.

The Koroit facility acquisition cost was $251.2 million, which included a tranche of inventory. The acquisition was funded initially as part of a syndicated debt facility structure provided by Coöperatieve Rabobank U.A. (Australian Branch) (Rabobank) and Westpac Banking Corporation established on 17 August 2018, which was for this purpose.

As part of the transaction Bega Cheese and Saputo entered into a Transition Services Agreement under which Bega Cheese received certain administration, management information systems and reporting services for a limited period. In addition, the parties entered into a Milk Supply Guarantee Agreement (MSG) under which Bega Cheese is guaranteed to receive 300 million litres of milk per annum (as adjusted for milk that transitions from the defined milk pool to Bega Cheese directly) until 30 June 2020. Since 17 August 2018, Bega Cheese has established direct supply relationships with a large number of suppliers, effectively reducing the volume of milk that Saputo is required to supply under the MSG.

B. Share purchase plan
A non-underwritten Institutional Placement was opened on 11 September 2018 and closed on 11 September 2018. The proceeds from the Institutional Placement were used to partially repay debt used to acquire the Koroit facility and improve the Group's financial flexibility to take advantage of future growth opportunities in dairy and food. The Institutional Placement was priced at $7.20 per share, raised $199.9 million in new share capital and resulted in an additional 27,758,218 ordinary fully paid shares being issued.

C. Institutional placement
A Share Purchase Plan Offer (SPP) was opened on 18 September 2018 and closed on 18 October 2018. Under the SPP, each eligible Bega Cheese shareholder was able to subscribe for up to $15,000 of new Bega Cheese shares at a price of $7.10 per share. The SPP Offer raised $2.3 million and resulted in an additional 318,118 ordinary fully paid shares being issued.

D. Dividend reinvestment plan
The Group's Dividend Reinvestment Plan (DRP) will be activated for the FY2019 final fully franked dividend. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. Shares allocated under the DRP will be derived from new issued ordinary shares. The shares issued rank pari passu with other ordinary shares already on issue. The allocation price will be determined in accordance with the DRP rules as the arithmetic average of the daily volume weighted average market price of all Bega Cheese Limited shares sold through a normal trade on the ASX trading system over the five business days commencing on the day of the record date.

A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the FY2019 final fully franked dividend to be paid on 1 October 2019 must be received by the registry by 5:00 pm on 11 September 2019 to be effective for that dividend.

E. Lactoferrin plant
On 14 February 2019 Bega Cheese announced it has secured a long-term lactoferrin supply agreement, which will support an investment of approximately $36 million to establish a new lactoferrin plant at the Koroit facility. The new lactoferrin plant is expected to produce 35 tonnes of lactoferrin each year. This lactoferrin will be used in the manufacture of infant formula and pharmaceutical products.

F. Trade receivable facility
On 26 February 2019 the Group entered a Trade Receivables Facility with Rabobank under which Rabobank may purchase receivables from the Group at a discount.

The first commercial transaction under the facility took place in March 2019, the key details of the facility are as follows:

- the facility is used as a primary source of working capital for the Group
- the facility provides a maximum equivalent limit of $200 million and involves a number of currencies including AUD, USD, NZD and JPY; with AUD representing the significant majority
- the facility initially included a committed equivalent limit of $150 million and an uncommitted equivalent limit of $50 million
- the facility is a one-year revolving purchase facility and is subject to annual review.

Once the receivables are sold by the Group, they are derecognised at a rate of approximately 90%, with the remainder reflected in the Group balance sheet, representing the level of continuing involvement in the receivables. The cash received from the sale of the receivables was used to reduce current borrowings, which reduced interest expense.

On 21 August 2019 the Trade Receivables Facility was extended to 31 August 2020 with the committed equivalent limit increased to $200 million.

1. Significant events in the accounting period (cont.)

G. Coburg

On 27 February 2019 Bega Cheese closed its Coburg, Victoria cheddar and mozzarella cheese manufacturing facility, effective immediately. Whilst some staff have been offered employment at other Bega sites, there was unfortunately some redundancies. The financial impact of closing the Coburg facility has been reflected in the financial statements for FY2019.

H. Kraft legal action

On 1 May 2019, the Federal Court of Australia delivered judgement in favour of Bega Cheese in proceedings that were commenced by Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Limited (collectively referred to as Kraft Heinz) in November 2017.

In the proceedings, Kraft Heinz challenged Bega Cheese's use and promotion of the trade dress (yellow lid, clear jar, yellow label with red or blue peanut device) of the Bega Cheese peanut butter products. However, the Court determined that Bega Cheese was the rightful owner of the relevant rights in the peanut butter trade dress and the Court ordered that Kraft Heinz may not use, sell or advertise and promote its own peanut butter products using the trade dress. The Court also ordered Kraft Heinz to pay Bega Cheese's costs of the proceedings.

Kraft Heinz has commenced an appeal against the judgement of the Federal Court. Bega Cheese's current expectation is that the appeal will be heard by the Full Court of the Federal Court in November 2019. Kraft Heinz has been permitted by the Court to continue to use the peanut butter trade dress until the determination of the appeal.

Subject to the outcome of the appeal, the issue of the amount of compensation to which Bega Cheese is entitled to be paid arising from Kraft Heinz's use of the peanut butter trade dress will be considered by the Federal Court in a further hearing, which is likely to take place in mid-2020.

I. Fonterra legal action

In 2001 Bega Cheese granted Fonterra an exclusive licence to use the Bega trademarks in Australia on natural cheddar cheese, processed cheddar cheese, string cheese and butter (Licensed Products). Fonterra has commenced legal proceedings in the Supreme Court of Victoria seeking orders including declarations that Bega Cheese cannot use the Bega trademarks in Australia on products outside of the Licensed Products without Fonterra's consent as well as damages. Bega Cheese as owner of the trademarks will vigorously oppose Fonterra's position and defend its rights to use its trademarks in Australia.

J. Capilano honey

During FY2018 Bega Cheese made a minor investment in Capilano Honey, Australia's largest honey business. In FY2019 Bega Cheese continued to invest in this business, which was seen as very complementary to the Bega Foods spreads portfolio, spending $30.2 million on market. During this period Capilano Honey was subject to a Scheme of Arrangement which was initially priced at $20.06 per share and subsequently increased to $21.00 per share. Bega Cheese ultimately sold its investment via the Scheme for $31.0 million, realising a net gain on sale of $0.8 million before transaction costs and interest.

K. Effective tax rate

The effective tax rate for the period is 37.5%, which is abnormally high as a result of a significant amount of non-deductible expenses in the period. These expenses are primarily stamp duty, landholder duty and legal costs relating to the acquisition of Koroit, which are one-off in nature.

2. Segment information

A. Description of segments

The Group determines the reporting segments based on financial and other management reports reviewed by the Board of Directors, in its capacity as the Chief Operating Decision Maker. The Group has two reporting segments:

i. Bega Cheese – manufactures packages and sells natural cheese, processed cheese, powders, butter and branded food products.
ii. Tatura Milk – manufactures, packages and sells cream cheese, commodity powders, butter and nutritional powders.

As a result of the recent acquisitions, the Directors are currently reviewing the overall structure of the business activities of the extended Group which may result in changes to how activities are reported to the Chief Operating Decision Maker in the future. Any changes made may have a corresponding impact on segment results reported in the financial statements.

B. Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2019 is as follows:

	Bega Cheese $'000	Tatura Milk $'000	Group Eliminations $'000	Group Total $'000
Year ending 30 June 2019				
Revenue	1,045,765	444,172	(69,985)	1,419,952
EBITDA	43,464	49,646	(3,645)	89,465
Depreciation, amortisation and impairment	(41,943)	(8,659)	-	(50,602)
EBIT	1,521	40,987	(3,645)	38,863
Interest revenue	2,003	5,026	(6,618)	411
Interest expense	(26,906)	(75)	6,618	(20,363)
Profit before income tax	**(23,382)**	**45,938**	**(3,645)**	**18,911**
Income tax expense	5,667	(13,852)	1,093	(7,092)
Profit for the year	**(17,715)**	**32,086**	**(2,552)**	**11,819**
Total segment assets	1,535,108	377,554	(424,077)	1,488,585
Total segment liabilities	904,468	88,217	(330,036)	662,649
Purchases of property, plant and equipment	32,325	10,364	-	42,689
Purchases of intangibles	22,231	-	-	22,231
Impact of current year events on profit before tax				
Transaction costs relating to Koroit acquisition	(11,019)	-	-	(11,019)
Fair value adjustments relating to Koroit acquisition	(2,648)	-	-	(2,648)
Coburg site closure costs	(15,171)	-	-	(15,171)
Legal costs	(3,783)	-	-	(3,783)
Other costs	(3,542)	-	-	(3,542)

2. Segment information (cont.)

	Bega Cheese $'000	Tatura Milk $'000	Group Eliminations $'000	Group Total $'000
Year ending 30 June 2018 Restated				
Revenue	860,920	448,120	(56,999)	1,252,041
EBITDA	27,476	64,657	(110)	92,023
Depreciation, amortisation and impairment	(22,981)	(8,336)	-	(31,317)
EBIT	4,495	56,321	(110)	60,706
Interest revenue	260	2,788	(2,194)	854
Interest expense	(12,798)	(72)	2,194	(10,676)
Profit before income tax	**(8,043)**	**59,037**	**(110)**	**50,884**
Income tax expense	(4,411)	(17,738)	33	(22,116)
Profit for the year	**(12,454)**	**41,299**	**(77)**	**28,768**
Total segment assets	1,113,089	442,544	(339,817)	1,215,816
Total segment liabilities	750,444	96,115	(262,734)	583,825
Purchases of property, plant and equipment	18,719	9,747	-	28,466
Purchases of intangibles	17,926	-	-	17,926
Impact of current year events on profit before tax				
Transaction costs and fair value adjustments relating to Bega Foods acquisition	(16,602)	-	-	(16,602)
Transaction costs relating to PCA acquisition	(3,142)	-	-	(3,142)
PCA bargain purchase	4,426	-	-	4,426
Transaction costs relating to Koroit acquisition	(800)	-	-	(800)
Other costs	(2,034)	-	-	(2,034)

2. Segment information (cont.)

C. Other segment information

i. Segment revenue

Sales between segments are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income. Segment sales by destination are as follows:

	CONSOLIDATED	
	2019 $'000	**Restated 2018** $'000
Sales to external customers in Australia		
Bega Cheese	775,306	672,967
Tatura Milk	202,939	154,200
Total sales to external customers in Australia	978,245	827,167
Sales to external customers in other countries		
Bega Cheese	244,983	173,280
Tatura Milk	196,724	251,594
Total sales to external customers in other countries	441,707	424,874
Total sales to external customers	**1,419,952**	**1,252,041**

Segment sales by category are as follows:

	Bega Cheese $'000	**Tatura Milk** $'000	**Group Eliminations** $'000	**Group Total** $'000
Year ending 30 June 2019				
Dairy and other ingredients	257,413	305,953	(69,985)	493,381
Nutritionals	16,866	108,453	-	125,319
Consumer packaged goods	547,974	29,766	-	577,740
Spreads and other grocery	223,512	-	-	223,512
Sales by product	**1,045,765**	**444,172**	**(69,985)**	**1,419,952**
Year ending 30 June 2018 Restated				
Dairy and other ingredients	109,806	322,059	(56,999)	374,866
Nutritionals	-	93,286	-	93,286
Consumer packaged goods	497,585	32,775	-	530,360
Spreads and other grocery	253,529	-	-	253,529
Sales by product	**860,920**	**448,120**	**(56,999)**	**1,252,041**

ii. EBITDA

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA. In addition, the Directors take into account current year events by segment so that normalised business performance is assessed.

iii. Segment assets and liabilities

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of assets. The liabilities are allocated based on the operations of the segment. The eliminations relate to inter-segment debtors and creditors arising in the ordinary course of business.

3. Earnings per share

	CONSOLIDATED	
	2019 Cents	**2018** Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent:		
Basic earnings per share	5.7	15.6
Diluted earnings per share	5.7	15.6
	2019 Number	**2018** Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	207,222,774	184,059,356
Adjustments for calculation of diluted earnings per share:		
Contingent employee incentives	261,176	200,670
Shares used as the denominator in calculating diluted earnings per share	207,483,950	184,260,026
	2019 $'000	**2018** $'000
Profit attributable to the ordinary equity holders of the Group used in calculating earnings per share	11,819	28,768

4. Dividends to shareholders

	COMPANY	
	Full year 2019 $'000	**Full year 2018** $'000
Recognised amounts:		
2019 Interim dividend of 5.50 cents	11,722	-
2018 Final dividend of 5.50 cents	10,178	-
2018 Interim dividend of 5.50 cents	-	10,178
2017 Final dividend of 5.00 cents	-	9,253
Total dividend	**21,900**	**19,431**
Issue of shares under the DRP	(2,773)	-
Net cash outflow	**19,127**	**19,431**
Unrecognised amounts:		
2019 Final dividend of 5.50 cents	11,755	-
2018 Final dividend of 5.50 cents	-	10,178

The dividends paid in 2019 and 2018 were fully franked. The 2019 final dividend will be fully franked.

	CONSOLIDATED		COMPANY	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Value of the dividend franking account	92,202	90,623	18,860	3,728

The value of the dividend franking account represents the balance of the franking account as at the end of the year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of the subsidiaries were paid as dividends.

5. Revenue and other income

	CONSOLIDATED 2019 $'000	Restated 2018 $'000
Sales of goods	1,397,227	1,234,570
Services	22,725	17,471
Total revenue	**1,419,952**	**1,252,041**
Other revenue		
Royalties	7,215	6,737
Dividends	15	25
Rental revenue	1,422	441
Other	1,316	-
Total other revenue	**9,968**	**7,203**
Other income		
Profit on sale of investment	748	1,708
Interest income	411	854
Other	1,307	492
Total other income	**2,466**	**3,054**

	CONSOLIDATED 2019 $'000	Restated 2018 $'000
Dairy and other ingredients	493,381	374,866
Nutritionals	125,319	93,286
Dairy consumer packaged goods	577,740	530,360
Spreads and other grocery	223,512	253,529
Total revenue	**1,419,952**	**1,252,041**

The Group recognises the majority of its revenue from contracts with customers for the transfer of goods and services at a point in time.

Revenues of approximately $227,302,000 (2018: $231,883,000) are concentrated in a small number of external customers.

6. Expenses

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Loss on disposal of property, plant and equipment	106	8
Operating lease minimum lease payments	4,103	3,390
(Decrease)/increase in inventory provisions	(5,042)	4,621
(Decrease) of bad and doubtful debts	(30)	(146)
Depreciation of non-current assets	35,246	28,658
Impairment of tangible assets	10,229	-
Impairment of intangible assets	-	528
Amortisation of intangible assets	5,127	2,131
Trade Receivables Facility costs	1,497	-
Employee benefit expense:		
- Defined contribution superannuation expense	16,522	15,659
- Other employee benefits expense	204,685	190,709
Total employee benefit expense	**221,207**	**206,368**
Finance costs:		
- Interest on bank loans	17,788	9,795
- Other finance costs	2,575	881
Total finance costs	**20,363**	**10,676**

7. Income tax

	CONSOLIDATED	
	2019 $'000	**2018** $'000
A. INCOME TAX EXPENSE		
Current tax (expense)	(14,438)	(8,858)
Deferred tax benefit/(expense) from the origination and reversal of temporary differences	6,948	(9,635)
Adjustments recognised in the current year in relation to tax of prior years	398	(3,623)
Total income tax expense	**(7,092)**	**(22,116)**

Judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain as at the end of the financial year. The Group estimates its tax liabilities based on its understanding of the tax law. Where the final tax outcome of these matters is different from the amounts recorded, such differences will impact the amount of current or deferred income tax liabilities in the period such determination is made.

	CONSOLIDATED	
	2019 $'000	**2018** $'000
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX EXPENSE		
Profit from continuing operations before income tax	18,911	50,884
Tax (expense) at the Australian tax rate of 30% (2018 - 30%)	(5,673)	(15,265)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	-	1,328
Non-deductible expenses	(1,296)	(4,478)
Other deductible expenses	3	6
	(1,293)	(3,144)
Tax incentives	282	406
Adjustments in respect of prior year	398	(3,623)
Adjustment to provision for deferred income tax	-	172
De-recognition of previously recognised capital losses	-	(1,738)
Previously unrecognised tax losses used to reduce deferred tax expense	-	1,076
Current year tax losses not recognised	(806)	-
Total income tax expense	**(7,092)**	**(22,116)**

7. Income tax (cont.)

	CONSOLIDATED	
	2019	**2018**
	$'000	$'000
C. AMOUNTS RECOGNISED THROUGH OTHER COMPREHENSIVE INCOME		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but through other comprehensive income in respect of:		
Fair value movement in investments	3	(37)
Movement in hedging reserve	(447)	473
Total amount recognised through other comprehensive income	**(444)**	**436**

	CONSOLIDATED	
	2019	**2018**
	$'000	$'000
D. AMOUNTS RECOGNISED THROUGH EQUITY		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but through equity in respect of:		
Share issue costs	940	211
Total amount recognised through equity	**940**	**211**

E. MOVEMENTS IN DEFERRED TAX

Movements in deferred tax in the year are detailed below:

Consolidated	**Opening balance** $'000	**Acquisition** $'000	**Charged to income** $'000	**Charged to equity** $'000	**Closing balance** $'000
Year ending 30 June 2019					
Deferred tax assets					
Doubtful debts	37	-	-	-	37
Inventories	2,302	(616)	328	-	2,014
Sundry accrued expenses	-	345	5,216	-	5,561
Black hole expenditure	1,709	-	714	-	2,423
Employee provisions	13,007	1,088	437	-	14,532
Share issue costs	508	-	(336)	940	1,112
Fair value of derivatives	319	-	-	(319)	-
Total deferred tax assets	17,882	817	6,352	621	25,672
Deferred tax (liabilities)					
Property, plant and equipment	(2,635)	-	2,098	-	(537)
Intangible assets	(42,530)	-	-	-	(42,530)
Sundry accrued expenses	(1,335)	-	1,335	-	-
Prepayments	(1,358)	-	1,358	-	-
Fair value of derivatives	-	-	(11)	(128)	(139)
Financial assets at fair value through other comprehensive income	(3)	-	-	3	-
Other	(3,300)	(306)	(4,184)	-	(7,790)
Total deferred tax (liabilities)	(51,161)	(306)	596	(125)	(50,966)
Total deferred tax	**(33,279)**	**511**	**6,948**	**496**	**(25,324)**

7. Income tax (cont.)

Consolidated	Opening balance $'000	Acquisition $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Year ending 30 June 2018					
Deferred tax assets					
Doubtful debts	78	-	(41)	-	37
Inventories	5,202	(1,120)	(1,780)	-	2,302
Sundry accrued expenses	1,019	767	(1,786)	-	-
Black hole expenditure	1,984	-	(275)	-	1,709
Employee provisions	10,381	1,890	736	-	13,007
Share issue costs	442	-	(145)	211	508
Fair value of derivatives	-	-	-	319	319
Financial assets at fair value through other comprehensive income	34	-	-	(34)	-
Total deferred tax assets	19,140	1,537	(3,291)	496	17,882
Deferred tax (liabilities)					
Property, plant and equipment	(1,659)	-	(976)	-	(2,635)
Intangible assets	(530)	(42,000)	-	-	(42,530)
Sundry accrued expenses	-	-	(1,335)	-	(1,335)
Prepayments	-	-	(1,358)	-	(1,358)
Fair value of derivatives	(149)	-	(5)	154	-
Financial assets at fair value through other comprehensive income	-	-	-	(3)	(3)
Other	(630)	-	(2,670)	-	(3,300)
Total deferred tax (liabilities)	(2,968)	(42,000)	(6,344)	151	(51,161)
Total deferred tax	**16,172**	**(40,463)**	**(9,635)**	**647**	**(33,279)**

Unused tax losses for which no deferred tax asset has been recognised as at 30 June 2019 are $23,988,000, the potential tax benefit of this at 30% is $7,196,000. Unused capital losses for which no deferred tax asset has been recognised as at 30 June 2019 are $5,283,000, the potential tax benefit of this at 30% is $1,585,000.

Deferred tax assets and liabilities in the Consolidated Balance Sheet have been disclosed based on whether the taxable entity they relate to has a legally enforceable right to set off the recognised amounts.

	CONSOLIDATED	
	2019 $'000	**2018** $'000
F. INCOME TAXES PAID		
Income taxes paid are included in the Consolidated Statement of Cash Flows as follows:		
Income taxes (paid) included in operating activities	(13,264)	(25,759)
Income taxes (paid) included in investing activities	-	(53,438)
Total income taxes (paid)	**(13,264)**	**(79,197)**

8. Trade and other receivables

	CONSOLIDATED	
	2019 $'000	Restated 2018 $'000
Current assets		
Trade receivables	89,205	177,561
Allowance for impairment of receivables	(81)	(110)
Net trade receivables	89,124	177,451
Goods and services tax (GST) receivable	14,732	10,201
Prepayments	18,757	5,346
Accrued revenue	5,550	4,889
Trade Receivables Facility continuing involvement asset	30,954	-
Other debtors	20,613	21,226
Advances for vat loans	-	7
Advances to suppliers	180	2,311
Total current trade and other receivables	179,910	221,431
Non-current assets		
Prepayments and other receivables	14,028	6,120
Total non-current trade and other receivables	14,028	6,120
Total trade and other receivables	**193,938**	**227,551**

The average credit period for trade receivables is 30 days. Judgement is used in assessing trade receivables due from customers under product supply contracts that require a periodic reconciliation to specific terms of those contracts. From time to time there may be differences of opinion between Bega Cheese Group and the customer as to the amount receivable under the contracts. Such differences are usually resolved amicably between the parties having regard to the relevant contract. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 33.

Advances to suppliers are prepayments for milk to assist with short-term working capital. The advances have a maximum repayment term of 6 months and interest is charged at 7.25% (2018: 7.25%). Non-current prepayments relate to milk supplier premium payments. Accrued revenue primarily relates to receivables from customers under product supply contracts.

During the financial year, Coöperatieve Rabobank U.A. (Australia Branch) (Rabobank) provided a Trade Finance Facility ('Trade Receivables Facility') under which it may purchase receivables from the Company at a discount. This facility is utilised by the Group as a primary source of working capital. The maximum available at any time under the facility was $200.0 million during the financial year. Most eligible receivables sold to Rabobank are insured by the Group with the Group retaining a continuing involvement asset of 10%, representing its maximum exposure under the facility. The Trade Receivables Facility is committed for one year and revolving. The funded value of the Group's Trade Receivables Facility was $188.6 million as at 30 June 2019 (2018: $Nil). 90% of the value of receivables sold by the Group into this facility are de-recognised as an asset as the contractual rights to cashflows from these receivables have expired on acceptance of the sale with Rabobank.

9. Derivative financial instruments and other financial assets

	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Current assets		
Foreign currency options – cash flow hedges	754	707
Total current derivative financial instruments	754	707
Non-current assets		
Financial assets at fair value through other comprehensive income (FVOCI) - listed equity securities	-	635
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	716	-
Total non-current financial assets	716	635
Total financial assets	**1,470**	**1,342**

Derivative financial instruments relate to foreign currency contracts used for hedging. Further information on these contracts is given in note 21a. No material amounts were incurred due to ineffectiveness of cash flow hedges or gains or losses on fair value hedges attributable to the hedging instrument or the hedged item.

10. Inventories

	CONSOLIDATED 2019 $'000	CONSOLIDATED Restated 2018 $'000
Raw materials, work in progress and stores	155,130	119,843
Finished goods	119,016	91,367
Carrying amount of inventories at lower of cost or net realisable value	**274,146**	**211,210**

The write-down of inventories to net realisable value requires judgement in assessing future commodity prices, other market conditions, product shelf life and provisions for quality.

11. Property, plant and equipment

	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Land and buildings		
At cost	200,965	167,802
Accumulated depreciation	(39,288)	(34,105)
Total land and buildings	161,677	133,697
Plant and equipment		
At cost	567,793	456,249
Accumulated depreciation	(321,880)	(287,000)
Total plant and equipment	245,913	169,249
Leased assets		
At cost	4,856	4,856
Accumulated depreciation	(4,856)	(4,856)
Total leased assets	-	-
Construction in progress	35,741	20,639
Total property, plant and equipment	**443,331**	**323,585**

11. Property, plant and equipment (cont.)

The movements in property, plant and equipment are:

Consolidated	Construction in progress $'000	Land and buildings $'000	Plant and equipment $'000	Total $'000
Year ending 30 June 2019				
Balance at the beginning of the financial period	20,639	133,697	169,249	323,585
Acquisitions through business combinations	-	30,553	92,480	123,033
Capital expenditure	42,689	-	-	42,689
Reclassification	-	-	(156)	(156)
Disposals	-	-	(345)	(345)
Depreciation	-	(5,183)	(30,063)	(35,246)
Impairment	-	-	(10,229)	(10,229)
Transfers	(27,587)	2,610	24,977	-
Balance at the end of the financial period	**35,741**	**161,677**	**245,913**	**443,331**
Year ending 30 June 2018				
Balance at the beginning of the financial period	8,031	56,843	131,925	196,799
Acquisitions through business combinations	2,381	86,895	37,724	127,000
Capital	28,466	-	-	28,466
Reclassification	-	(8,157)	8,157	-
Disposals	-	-	(22)	(22)
Depreciation	-	(3,913)	(24,745)	(28,658)
Transfers	(18,239)	2,029	16,210	-
Balance at the end of the financial period	**20,639**	**133,697**	**169,249**	**323,585**

12. Intangible assets

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Brands	140,405	140,405
Water rights	5,601	5,601
Headwork utilities rights	956	956
Gene pool	1,467	-
Software	51,185	35,055
Goodwill	335,533	229,446
Total intangible assets	**535,147**	**411,463**

12. Intangible assets (cont.)

Consolidated	Brands $'000	Software $'000	Water Rights $'000	Goodwill $'000	Other $'000	Total $'000
Year ending 30 June 2019						
Balance at the beginning of the financial period	140,405	35,055	5,601	229,446	956	411,463
Acquisitions through business combinations	-	337	-	106,087	-	106,424
Additions	-	20,726	-	-	1,505	22,231
Reclassification	-	156	-	-	-	156
Amortisation	-	(5,089)	-	-	(38)	(5,127)
Balance at the end of the financial period	**140,405**	**51,185**	**5,601**	**335,533**	**2,423**	**535,147**
Year ending 30 June 2018						
Balance at the beginning of the financial period	405	19,524	1,765	-	956	22,650
Acquisitions through business combinations	140,000	264	3,836	229,446	-	373,546
Additions	-	17,375	-	-	551	17,926
Amortisation	-	(2,108)	-	-	(23)	(2,131)
Impairment	-	-	-	-	(528)	(528)
Balance at the end of the financial period	**140,405**	**35,055**	**5,601**	**229,446**	**956**	**411,463**

Brands and other identifiable intangible assets

Brands and other identifiable intangible assets purchased by Bega Cheese Group are initially recognised at cost, or at their fair value if acquired as part of a business combination.

These identifiable intangible assets are subsequently measured:

- if they have a finite life, at cost less amortisation, and
- if they have an indefinite life, at cost less accumulated impairment losses.

Finite life brands or other identifiable intangible assets are amortised on a straight-line basis over the shorter of their contractual or useful economic life, being three to 25 years. They are also tested for impairment when an indicator of impairment may exist.

Indefinite life identifiable intangible assets are not amortised but are instead tested for impairment annually, or more frequently if there is an indicator of impairment. Brands or other identifiable intangible assets are determined to have an indefinite life where there is an intention to maintain and support the brand or other intangible asset for an indefinite period.

Water rights

Water rights acquired as part of the acquisition of the Strathmerton and PCA facilities are attributable to the Bega Cheese segment. Impairment was tested by reference to third party market valuation based on recent transactions and related data.

Headwork utilities rights

Headwork utilities rights relate to Bega Cheese's right to access the Bega Valley Shire Council municipal wastewater system.

Gene pool intellectual rights

Peanut Company of Australia conducts a peanut research and development programme focussed on developing improved seed varieties for growers. The programme endeavours to improve the desirable attributes of seed varieties provided to growers, with the overall objective to improve the quality of PCA's peanuts and to minimise costs to production. Asset includes intellectual property relating to cross breeding peanut seed varieties for optimal commercial use, and plant breeder's rights for successful varieties.

Software

Purchased and internally developed software assets are capitalised where there is an identifiable asset that will generate future economic benefits through revenue, supporting effective management and decision making or cost savings.

Ongoing software related costs are capitalised if they extend the useful life or enhance the functionality of the software asset.

Software assets are amortised on a straight-line basis over their estimated useful lives, being three to 10 years and are tested for impairment when an indicator of impairment exists.

12. Intangible assets (cont.)

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to that entity.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units (CGU) that are expected to benefit from the business combination in which the goodwill arose.

Bega Foods

The Group has identified the Mondelēz Grocery Business, acquired in July 2017 and renamed Bega Foods, to be a stand-alone CGU. This CGU is accountable for goodwill of $229.4 million and major capitalised brands of $140.0 million (2018: $140.0 million).

The cash inflows of the Bega Foods CGU are predominantly independent of the other activities of Bega Cheese Group. As a result, this CGU is subject to annual impairment testing.

Impairment testing requires a high degree of judgement in assessing whether the carrying value of assets is supported by their recoverable amount by applying the net present value of future cash flows derived from such assets using cash flow projections, which have been discounted at an appropriate rate. In calculating net present value of the future cash flows of the Bega Foods CGU for the period FY2020 to FY2024, a number of assumptions are made in respect of matters which are not certain, including judgement as follows:

- a long-term growth rate of 2.0% beyond the forecast period
- with advice from independent experts, applied post tax discount rate of 6.5%
- improving gross margins, including from specific spreads products during the forecast period
- active investment in sales and marketing to support our strong portfolio of brands

Using the base case assumptions, the fair value of the Bega Foods CGU assets less cost to sell was not less than the carrying value of those assets as at 30 June 2019.

Sensitivity analysis

Impairment testing requires a high degree of judgement. As a result, management reviewed the sensitivity of key assumptions applied in the discounted cash flow assessment of the Bega Foods CGU. The key judgement items assessed for sensitivity were as follows:

Variance from base case		
Long-term growth rate	0.5%	lower
Discount rate	1.0%	higher
Gross margin improvement per annum	1.5%	lower

Improving gross margins will be subject to the ongoing strength of our brands, market conditions, competitor behaviour and the returns available to our customers from the Bega Foods range of products in the future. Some of these factors are beyond the reasonable control of the Group.

Based on the above sensitivity analysis, a reasonably possible change in any single assumption would not result in an impairment loss in Bega Foods CGU as at 30 June 2019.

Koroit

The Group has identified the Koroit Business, acquired in August 2018, to be a separate CGU. This CGU is accountable for goodwill of $106.1 million. The cash inflows of the Koroit CGU are predominantly independent of the other activities of Bega Cheese Group. As a result, this CGU is subject to annual impairment testing.

In calculating net present value of the future cash flows of the Koroit CGU for the period FY2020 to FY2024, a number of assumptions are made in respect of matters which are not certain, including judgement as follows:

- a long-term growth rate of 1.5% beyond the forecast period
- with advice from independent experts, applied post tax discount rate of 6.5%
- continuing investment in milk pricing systems and strategy to support growth
- lactoferrin expansion to support long term lactoferrin supply agreement

Using the base case assumptions, the fair value of the Koroit CGU assets less cost to sell was not less than the carrying value of those assets as at 30 June 2019.

12. Intangible assets (cont.)

Sensitivity analysis

The key judgement items assessed for sensitivity of the Koroit CGU were as follows:

Variance from base case		
Long-term growth rate	0.5%	lower
Discount rate	1.0%	higher
Milk intake growth	3.0%	lower

Based on the above sensitivity analysis, a reasonably possible change in any single assumption would not result in an impairment loss in Koroit CGU as at 30 June 2019.

As a result of the annual impairment reviews, no impairment losses have been recognised in the year.

13. Trade and other payables

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Trade payables	186,273	181,453
Deferred income	1,853	2,840
Accrued charges and sundry creditors	55,785	41,617
Trade Receivables Facility continuing involvement liability	21,955	-
Total trade and other payables	**265,866**	**225,910**

The average credit period on purchases is the month end after the goods are received, except for utilities and certain professional fees. No material amounts of interest are charged on late payments and the amounts are unsecured.

Judgement is used in assessing trade payables due to suppliers under product supply contracts that require a periodic reconciliation to specific terms of those contracts. From time to time there may be differences of opinion between Bega Cheese Group and the supplier as to the amount payable under the contracts. Such differences are usually resolved amicably between the parties having regard to the relevant contract. Where such differences are unresolved at reporting dates Bega Cheese Group seeks additional information and professional advice in the context of the relevant contract in forming a view as to the amount to be accrued for at the reporting date.

14. Borrowings

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Current - at amortised cost		
Secured term loans	-	11
Lease liabilities	13	110
Total current borrowings	13	121
Non-current - at amortised cost		
Secured term loans	317,000	268,000
Lease liabilities	-	7
Borrowing costs	(942)	(1,025)
Total non-current borrowings	316,058	266,982
Total borrowings	**316,071**	**267,103**

For further details on borrowings and facilities, see note 21.

15. Derivative financial instruments – liabilities

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Current liabilities		
Foreign currency forwards – cash flow hedges	175	2,018
Total derivative financial instruments - liabilities	**175**	**2,018**

For further details on derivatives, see note 21.

16. Provisions

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Current liabilities		
Employee benefits	48,996	43,405
Total current provisions	48,996	43,405
Non-current liabilities		
Employee benefits	1,773	1,784
Total non-current provisions	1,773	1,784
Total provisions	**50,769**	**45,189**

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service. The amount of the provision presented as current of $48,996,000 (2018: $43,405,000) is due to the Group not having an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Current leave obligations expected to be settled after 12 months	11,892	11,090

17. Share capital

A. Share capital

	CONSOLIDATED	
	2019	**2018**
	$'000	$'000
Share capital - ordinary shares fully paid	**477,494**	**274,862**

B. Movement in share capital value and number of shares

	Ordinary shares Number '000	**Ordinary shares** $'000
Ordinary shares on issue at 1 July 2017	175,493	224,692
Shares issued under Share Purchase Plan	9,562	50,199
Share issue transaction costs, net of tax	-	(29)
Ordinary shares on issue at 30 June 2018	185,055	274,862
Ordinary shares on issue at 1 July 2018	185,055	274,862
Shares issued under Institutional Placement	27,758	199,859
Shares issued under Share Purchase Plan	318	2,259
Shares issued under Dividend Reinvestment Plan	603	2,773
Share issue transaction costs, net of tax	-	(2,259)
Ordinary shares on issue at 30 June 2019	213,734	477,494

Ordinary shares entitle the holder to participate in dividends and share in the proceeds of winding up the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

18. Reserves

A. Reserves

	CONSOLIDATED	
	2019	**2018**
	$'000	$'000
Share-based payment reserve	1,196	508
Capital profits reserve	33,959	33,959
Hedging reserve	272	(442)
Fair value reserve	-	8
Transactions with non-controlling interests reserve	(12,567)	(12,567)
Total reserves	**22,860**	**21,466**

B. Nature and purpose of reserves

The share-based payment reserve is used to recognise the fair value of shares and performance rights issued to employees by the Company.

The capital profits reserve is a historic reserve previously held to maintain adequate equity balances in the business.

The hedging reserve is used to record gains or losses on hedging instruments (cash flow hedges) that are recognised directly in equity, as described in note 33.

The fair value reserve is used to record gains or losses on fair value of investments classified as Financial assets at fair value through other comprehensive income.

The transactions with non-controlling interests reserve records the difference arising as a result of the acquisition of the non-controlling interest in Tatura Milk.

19. Notes to the consolidated statement of cash flows

	CONSOLIDATED	
	2019 $'000	**2018** $'000
A. RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	28,760	21,669
Balance per statement of cash flow	**28,760**	**21,669**
B. RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax	11,819	28,768
Adjustments for non-cash, investing and financing items:		
Depreciation of non-current assets	35,246	28,658
Amortisation of intangible assets	5,127	2,131
Loss on sale of property, plant and equipment	106	8
(Profit) on sale of shares in listed companies	(748)	(1,708)
Payments related to corporate activity	11,019	13,916
Impairment of tangible assets	10,229	-
Impairment of intangible assets	-	528
Non-cash employee expense - share-based payments	688	297
Fair value adjustment to derivatives	(870)	1,546
Interest income received and receivable	(411)	(854)
Dividends received and receivable	(15)	(25)
Share of net profit of joint venture	(323)	(606)
(Gain) on bargain purchase	-	(4,426)
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables and GST recoverable	54,930	(36,438)
Inventories	(37,162)	(16,819)
Prepayments	(21,113)	(4,383)
Current and deferred tax assets	258	342
Increase/(decrease) in liabilities:		
Trade and other payables	36,275	49,241
Provision for income taxes payable excluding taxation on investments	(6,736)	(3,738)
Changes in provisions	1,953	2,126
Net cash inflow from operating activities	**100,272**	**58,564**

RISK

20. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 7 - income tax, note 8 - trade and other receivables, note 10 - inventories, note 12 - intangible assets and note 13 - trade and other payables.

21. Financial risk management

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

Financial management is carried out by the treasury function within the finance department under policies approved by the Board of Directors and overseen by the Audit & Risk Committee. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, by applying principles provided by the Board that has overall responsibility for risk management. The Board also approves policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments, and investment of excess liquidity.

A. Market risk

The Group's activities expose it primarily to market risks in relation to foreign currency and interest rate movements. The Group enters into a variety of derivative financial instruments to manage exposures which include forward foreign currency contracts to hedge exchange rate risks from the sale of exported goods and purchase of imported goods.

Foreign exchange risk

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 Group exports dairy products and is exposed to foreign exchange risk, primarily movements in exchange rates of US dollar and Japanese Yen. The Group also makes purchases including capital equipment, ingredients and packaging that exposes it to movements in exchange rates of US dollar, NZD and Euro. The risk is measured using sensitivity analysis and cash flow forecasting. Forward contracts are used to manage these risks.

The Group's risk management policy is to match known and highly probable future cash flows in foreign currencies, for cash flow and fair value hedge accounting purposes, with forward exchange contracts in the same currency and with closely corresponding settlement dates. 30-80% of its estimated foreign currency exposures in respect of forecast sales over the subsequent 12 months are hedged. All material foreign currency purchases are hedged on execution of contracts.

21. Financial risk management (cont.)

The Group's exposure to foreign exchange risk at the end of the reporting period is expressed as follows:

Consolidated	Contract amount $'000	Contract amount in foreign currency '000	Weighted average forward rate	Mark to market assets $'000	Mark to market liabilities $'000
At 30 June 2019					
Cash flow hedges					
US Dollar	97,172	67,952	0.6994	431	-
Fair value hedges					
European Dollar	(2,316)	(1,459)	0.6299	49	-
Japanese Yen	4,119	313,629	76.1470	-	(55)
New Zealand Dollar	(246)	(279)	1.0708	21	-
US Dollar	(7,081)	(4,768)	0.7152	263	-
At 30 June 2018					
Cash flow hedges					
US Dollar	69,469	52,410	0.7548	-	(1,460)
Fair value hedges					
European Dollar	(884)	(561)	0.6335	2	-
Japanese Yen	2,880	236,693	82.7780	-	(38)
New Zealand Dollar	728	782	1.0738	11	-
US Dollar	(14,744)	(11,027)	0.7579	171	-

	CONSOLIDATED			
	Sales 2019 $'000	Purchases 2019 $'000	Sales 2018 $'000	Purchases 2018 $'000
Foreign exchange forward contracts				
Change in discounted spot value	320	388	(2,022)	708
Change in value of hedged item	167	(52)	468	(38)
Maturities	Jul 19 to Feb 20	Jul 19 to Dec 19	Jul 18 to Feb 19	Jul 18 to Dec 18

Group sensitivity
The Group sensitivity for cash flow exposures is based on the financial instruments held on 30 June 2019, had the Australian dollar strengthened or weakened by 10% against the US dollar with all other variables held constant. The analysis is performed on the same basis for 2018 and has no material impact on profit after tax due to the Group aiming to fully hedge its foreign currency exposures and the accounting treatment of the instruments held. The Group sensitivity is detailed in the following table:

	CONSOLIDATED	
	2019 $'000	2018 $'000
Equity		
AUD$ strengthens 10% - increase/(decrease)	6,184	4,421
AUD$ weakens 10% - (decrease)/increase	(7,558)	(5,403)

21. Financial risk management (cont.)

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Historically, the Group has used interest rate swaps as appropriate to manage interest rate risk. Due to a sustained low market interest rates, there were no interest rate swaps in place at 30 June 2018 or 2019 but the use of interest rate swaps is regularly monitored and reviewed as to their effectiveness by the Group. All borrowings were denominated in Australian dollars during 2018 and 2019.

As at the reporting date, the Group had the following interest bearing borrowings and assets outstanding:

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Fixed rate instruments		
Assets		
Vat and supplier loans	180	2,318
Liabilities		
Bank overdrafts and loans	-	(11)
Finance leases	(13)	(117)
Variable rate instruments		
Assets		
Cash and cash equivalents	28,760	21,669
Liabilities		
Bank overdrafts and loans	(316,058)	(266,975)
Net exposure to interest rate risk on variable rate instruments	**(287,298)**	**(245,306)**

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

Interest rate sensitivity

At 30 June 2019, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, the Group's post-tax profit for the year would have been $3,171,000 lower/(higher) (2018: $1,663,000 higher/(lower)).

Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group in listed entities. The Group manages its price risk by reviewing the risk across the operations of the whole Group in context of the different areas the business operates in.

At 30 June 2019, if the share price increased/(decreased) by +/- 10% from the year end prices with all other variables held constant, the Group's shareholders' equity for the year would have been $Nil (2018: $63,500 higher/(lower)).

21. Financial risk management (cont.)

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 8 and note 9. For some trade receivables, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit that can be called upon if the counterparty is in default under the terms of the agreement. In addition, the Group obtains credit insurance over export debtors and some Australian customers.

The maximum exposure to credit risk is as follows:

	CONSOLIDATED	
	2019 $'000	Restated 2018 $'000
Cash and cash equivalents	28,760	21,669
Trade receivables	89,124	177,451
Accrued revenue	5,550	4,889
Other receivables	35,345	31,427
Prepayments	32,785	11,466
Vat loans to farmers	-	7
Advances to farmers	180	2,311
Fair value derivatives	754	707
Total credit risk exposure	**192,498**	**249,927**

There is considered to be limited credit risk in the balances of other receivables due to their nature as entities with which close commercial relationships are maintained, related parties or government agencies. Bega Cheese Group manages amounts payable by direct milk suppliers to the Group for supplier advances, loans or other prepayments for milk so as to mitigate any material exposure to default.

The ageing analysis of trade receivables is set out in the table below. The credit quality of financial assets that are neither past due nor impaired is assessed based on the application of the credit risk policies described above.

	CONSOLIDATED	
	2019 $'000	2018 $'000
Not past due	74,469	158,869
Past due 0-30 days	8,608	11,963
Past due over 30 days	6,128	6,729
Trade receivables at 30 June	**89,205**	**177,561**

All impaired balances are more than 60 days overdue. Other amounts past due relate to a number of customers where there is no history of default to the Group and are expected to be received in full. For details of provisions held against trade receivables, see note 8.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting period:

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Undrawn facilities expiring within one year	100,000	170,289
Undrawn facilities expiring beyond one year	124,500	48,500
Drawn facilities	317,000	268,011
Total facilities	**541,500**	**486,800**
Total facilities are represented by:		
Syndicated Facility - Revolving Cash Advance Facility maturing 31 August 2021	70,000	70,000
Syndicated Facility - Revolving Cash Advance Facility maturing 31 August 2021	140,000	10,000
Syndicated Facility - Revolving Cash Advance Facility maturing 1 September 2020*	125,000	200,000
Syndicated Facility - Term Facility maturing 1 July 2020	100,000	100,000
Inventory Facility	100,000	100,000
Overdraft Facility	6,500	6,500
Vat Financing Facility	-	300
Total facilities	**541,500**	**486,800**

* Reduces to $100 million from 30 September 2019

The Group financing arrangements include a syndicated facility funded by Coöperatieve Rabobank U.A. (Australia Branch) (Rabobank) and Westpac Banking Corporation (Westpac), (Syndicated Debt Facility). The Syndicated Debt Facility includes three revolving cash advance facilities totalling $335 million (with maturity dates between 1 September 2020 and 31 August 2021) and a term facility totalling $100 million (matures on 1 July 2020). The Syndicated Debt Facility and Inventory Facility are secured by equitable mortgages and floating charges on the assets of Bega Cheese Limited and Tatura Milk Industries Limited.

In addition to the Syndicated Debt Facility, the Group continues to an Inventory Facility (matures on 30 March 2020) and a Multi-Option Facility (matures on 1 July 2020) which is a stand-alone facility and is not subject to cross-charges or cross-guarantees, except as disclosed in note 23.

Under the Syndicated Facilities, Bega Cheese Group is required to comply with the following covenants:

i. the leverage ratio must not be greater than 3.50 times at 30 June 2019, then decreasing to 3.00 times at 30 September 2019

ii. the interest cover ratio must be equal or greater than 2.50 times; and

iii. shareholder funds must be equal or greater than $450 million.

The Group has complied with these and previous covenants throughout the reporting period.

21. Financial risk management (cont.)

Maturities of financial liabilities

The following table analyses the Group's financial liabilities. The amounts disclosed in the table are contractual undiscounted cash flows:

Consolidated	0-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2019						
Non-derivatives						
Finance leases	(13)	-	-	-	(13)	(14)
Secured bank loans	(32,642)	(202,515)	(92,354)	-	(327,511)	(316,058)
Trade and other payables	(265,866)	-	-	-	(265,866)	(265,866)
Derivatives						
Inflows	31,848	-	-	-	31,848	31,883
Outflows	(32,235)	-	-	-	(32,235)	(32,455)
Total financial liabilities	**(298,908)**	**(202,515)**	**(92,354)**	**-**	**(593,777)**	**(582,510)**
At 30 June 2018						
Non-derivatives						
Finance leases	(68)	(45)	-	-	(113)	(117)
Secured bank loans	(10,489)	(174,056)	(100,012)	-	(284,557)	(266,986)
Trade and other payables	(225,910)	-	-	-	(225,910)	(225,910)
Derivatives						
Inflows	32,634	-	-	-	32,634	33,341
Outflows	(33,342)	-	-	-	(33,342)	(35,359)
Total financial liabilities	**(237,175)**	**(174,101)**	**(100,012)**	**-**	**(511,288)**	**(495,031)**

D. 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 financial assets at fair value securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. 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 Group 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. All fair value instruments are measured using quoted prices from active markets where available.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level under the following fair value measurement hierarchy:

i. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

ii. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)

iii. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

21. Financial risk management (cont.)

The following table presents the Group's assets and liabilities measured and recognised at fair value at the end of the reporting periods:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2019				
Assets				
Foreign currency forwards	-	754	-	754
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	-	716	716
Total assets	**-**	**754**	**716**	**1,470**
Liabilities				
Foreign currency forwards	-	(175)	-	(175)
Total liabilities	**-**	**(175)**	**-**	**(175)**
At 30 June 2018				
Assets				
Foreign currency forwards	-	707	-	707
Financial assets at fair value through other comprehensive income (FVOCI) - listed equity securities	635	-	-	635
Total assets	**635**	**707**	**-**	**1,342**
Liabilities				
Foreign currency forwards	-	(2,018)	-	(2,018)
Total liabilities	**-**	**(2,018)**	**-**	**(2,018)**

22. Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern and generate adequate returns to shareholders.

Consistent with others in the industry, the Group monitors its capital on the basis of net debt, total equity and gearing ratio.

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Net debt: borrowings net of cash at bank	288,240	246,342
Total equity	825,936	631,991
Net debt to equity ratio	**35%**	**39%**

Group structure

23. Parent entity financial information

A. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	BEGA CHEESE	
	2019 $'000	**2018** $'000
Current assets	500,298	346,557
Total assets	1,463,204	1,060,605
Current liabilities	(496,863)	(392,908)
Total liabilities	(843,694)	(697,708)
Net assets	**619,510**	**362,897**
Shareholders' equity		
Issued capital of parent entity	478,064	275,432
Reserves		
Share-based payment reserve	1,196	508
Capital profits reserve	32,565	32,565
Hedging reserve	220	-
Fair value reserve	-	8
Retained earnings	107,465	54,384
Total equity	**619,510**	**362,897**
Profit/(loss) after tax for the year	74,981	(8,137)
Total comprehensive profit/(loss)	75,192	(8,050)

Current assets and liabilities of Bega Cheese include intercompany loans.

B. GUARANTEES ENTERED INTO BY PARENT ENTITY

The parent entity has entered into a deed of cross guarantee in relation to the debts of its subsidiaries as described in note 25.

C. CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018 except as disclosed in note 27.

D. CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT

As at 30 June 2019, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $23,803,000 (2018: $1,399,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

24. Subsidiaries and joint arrangements

	Country of incorporation	Nature of relationship	2019 % of ownership interest	2018 % of ownership interest
Tatura Milk Industries Pty Ltd	Australia	Subsidiary	100	100
Bega Cheese Investments Pty Ltd	Australia	Subsidiary	100	100
Peanut Company of Australia Pty Ltd	Australia	Subsidiary	100	100
180 Nutrition Pty Ltd	Australia	Subsidiary	61	-
Bemore Partnership	Australia	Joint Operation	50	50
Capitol Chilled Foods (Australia) Pty Ltd (CCFA)	Australia	Joint Venture	25	25

A. INTEREST IN JOINT OPERATION

Bemore Partnership

The Company has a 50% interest in a joint arrangement called the Bemore Partnership. The following amounts are included in the Group's Financial Statements in relation to the joint operation, representing the Group's 50% share of the Bemore Partnership:

	BEMORE	
	2019 $'000	**2018** $'000
Revenue	-	531
Cost of sales	-	1
Gross profit/(loss)	-	**532**
Other income and expenses	-	42
Profit/(loss) for the year	-	**574**
Loans from joint operators	7,200	7,200
Total liabilities	**7,200**	**7,200**
Net liabilities	**(7,200)**	**(7,200)**

Accounting policies applied for the Bemore Partnership are described in note 33b.

B. INTEREST IN JOINT VENTURE

Capitol Chilled Foods (Australia) Pty Ltd

The principal activity of the joint venture is liquid milk and chilled food distribution. The Group financial statements include the following results of the joint venture:

	CCFA	
	2019 $'000	**2018** $'000
Share of net profit of joint venture	323	606
Investments accounted for using the equity method	1,341	1,393

Accounting policies applied for the joint venture are described in note 33b.

25. Closed group disclosure

Bega Cheese, Tatura Milk, Bega Cheese Investments Pty Ltd (BCI) and PCA are all party to a deed of cross guarantee under which each company guarantees the debts of the other. These companies represent a "closed Group" for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Bega Cheese Limited, they also represent the "extended closed Group". By entering into the deed, Tatura Milk and BCI have been relieved from the requirement to prepare a financial report and Directors' report under Instrument 2016/785, issued by the Australian Securities and Investments Commission.

26. Business combination

A. KOROIT

On 17 August 2018 the Group completed the acquisition of Saputo's Koroit dairy processing facility located at Koroit in Western Victoria.

The fair values of the assets and liabilities of the Koroit facility as at the date of acquisition are as follows for acquisition accounting purposes:

	Koroit Fair value $'000
Inventories	25,775
Prepayments	209
Intangible assets	337
Land and buildings	30,553
Plant and equipment	92,480
Deferred tax assets	511
Employee benefits	(3,628)
Other liabilities	(1,151)
Fair value of identifiable net assets acquired	**145,086**
Goodwill	106,087
Net assets acquired	**251,173**
Purchase consideration:	
Cash paid	251,173

i. Consideration transferred

Koroit acquisition costs amounting to $12,176,000 (before tax) are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement of Comprehensive Income for statutory reporting purposes, although these costs have been treated as one-off for the purposes of considering the underlying performance of the Group.

ii. Identifiable net assets

The fair values of the identifiable assets and liabilities have been determined using estimates by management and valuation reports by independent experts. The Group has finalised the acquisition accounting for the Koroit facility in the FY2019 statutory accounts.

Unrecognised items

27. Contingent liabilities

The Group enters into product supply agreements with ongoing requirements to reconcile to specific contractual terms (see note 13). Contingent liabilities may arise where completion of the reconciliation process subsequent to a reporting date results in a payable greater than the amount accrued. In addition, Bega Cheese is currently subject to separate legal actions by each of Kraft Heinz and Fonterra (refer to note 1), the outcome of which is uncertain at the date of this report. Based on all available information and professional advice, management considers there are no significant contingent liabilities at 30 June 2019. The Group has bank guarantees as at 30 June 2019 totalling $5,872,000 (2018: $4,386,000).

28. Commitments

A Capital commitments

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment - payable within one year	19,394	2,616
Land and buildings - payable within one year	6,482	-

B. Lease commitments

Non-cancellable operating and finance leases consist of the following types:

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Equipment	884	2,021
Motor vehicles	470	512
Land and buildings	3,695	4,310
Total lease commitments	**5,049**	**6,843**

The equipment leases have terms of up to five years and no option to extend. 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 leases for land and buildings are due to expire between January 2020 and December 2023 with options to extend.

Commitments for minimum lease payments in relation to non-cancellable operating and finance leases are payable as follows:

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Within one year	2,831	3,378
Between one and five years	2,218	3,445
Later than five years	-	20
Total lease commitments	**5,049**	**6,843**

29. Subsequent events

The financial impact of the transactions set out below which occurred after 30 June 2019 has not been recognised in these financial statements.

A. Dividend

On 28 August 2019, the Directors declared a final fully franked dividend of 5.5 cents per share, which represents a distribution of $11,755,000.

The Group's Dividend Reinvestment Plan (DRP) will be activated for the FY2019 final fully franked dividend. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. Shares allocated under the DRP will be derived from new issued ordinary shares. The shares issued rank pari passu with other ordinary shares already on issue. The allocation price will be determined in accordance with the DRP rules as the arithmetic average of the daily volume weighted average market price of all Bega Cheese Limited shares sold through a normal trade on the ASX trading system over the five business days commencing on the day of the record date.

A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the FY2019 final fully franked dividend to be paid on 1 October 2019 must be received by the registry by 5:00 pm on 11 September 2019 to be effective for that dividend.

B. Revised Trade Receivables Facility

On 26 February 2019 the Group entered a Trade Receivables Facility with Rabobank under which Rabobank may purchase receivables from the Group at a discount. The facility is a one-year revolving purchase facility and is subject to annual review, is used as a primary source of working capital for the Group, provides a committed equivalent of $150 million and a further uncommitted equivalent of $50 million. The facility was first utilised on 29 March 2019 and has been utilised ongoing since that date. As a result of entering the Trade Receivables Facility the balance available under the Revised Syndicated Debt Facility decreased by $75 million to $335 million from 29 March 2019. On 21 August 2019 the Trade Receivables Facility was extended to 31 August 2020.

Other information

30. Related party transactions

A. Terms and conditions of related party transactions

Transactions between the Group and related parties are conducted on normal commercial terms and conditions.

B. Related party transactions with group entities

Details of transactions between the Group and other related parties are disclosed below. During the period the Group had the following transactions with Bemore:

	CONSOLIDATED	
	2019 $	**2018** $
Sales made by Tatura to Bemore	-	2,583
Storage charges paid by Bemore to Tatura	-	38,563

Further details of the joint operation are included in note 24.

During the period the Group had the following transactions with CCFA:

	CONSOLIDATED	
	2019 $	**2018** $
Sales made to CCFA	7,507,924	5,880,412
Rent paid by CCFA to Bega Cheese	233,736	228,924
Amounts payable by CCFA to Bega Cheese at period end	1,166,039	637,053

Further details of the joint venture are included in note 24.

C. Key management personnel remuneration and transactions

	CONSOLIDATED	
	2019 $	**2018** $
Short-term employee benefits	2,631,717	2,952,617
Post-employment benefits	129,394	119,533
Other long-term employee benefits	201,252	321,065
Share-based payments	62,856	264,730
Total employee benefits	**3,025,219**	**3,657,945**

During the year, some Directors and their related entities had transactions with the Bega Cheese Group relating to the supply of milk (Supplier Directors). In addition, the Group made available to all suppliers in the year the opportunity to participate in the Milk Supply Premium program, which all Supplier Directors have contracted to do. These transactions were on the same normal commercial terms as other suppliers and are summarised in the table below:

	CONSOLIDATED	
	2019 $	**2018** $
Payments made by the Group during the year	7,150,526	7,060,605
Amounts outstanding at year end	543,743	499,694

Further details of key management personnel remuneration are disclosed in the Remuneration Report.

31. Remuneration of auditors

	CONSOLIDATED	
	2019 $	**2018** $
Audit services		
PwC Australia - Audit and review of financial statements	867,500	779,500
Non-audit services		
PwC Australia - Other services	80,384	373,222

From time to time the Group may engage PwC Australia on assignments additional to the statutory audit duties where their experiences with the Group is important, provided such assignments do not give rise to a potential conflict of interest. During the current and prior years PwC provided non-audit services relating to capital raising, due diligence and share schemes.

32. Share-based payments

Expenses arising from Bega Cheese Limited Long-Term Incentive Plan

The Bega Cheese Limited 2019-2021 Long-Term Incentive Plan (2021 Plan) was established in FY2019 and is designed to provide long-term incentives to the CEO and executive team to deliver shareholder returns. Under the 2021 Plan, each member of the executive team is granted share rights which only vest if certain performance standards are met. Under the 2021 Plan there was 117,717 performance rights awarded, not yet vested resulting in $274,280 being expensed in FY2019.

The Bega Cheese Limited 2018-2020 Long-Term Incentive Plan (2020 Plan) was established in FY2018 and is designed to provide long-term incentives to the CEO and executive team to deliver shareholder returns. Under the Plan, each member of the executive team is granted share rights which only vest if certain performance standards are met. Under the 2020 Plan there was 134,300 performance rights awarded, not yet vested resulting in $273,668 being expensed in FY2018.

	CONSOLIDATED	
	2019 $'000	**2018** $'000
Entitlements due under employee share schemes:		
Expense in relation to Long-Term Incentive Plan	(688)	(391)
Other share scheme movement	-	94
Total employee share scheme expense	**(688)**	**(297)**

The movement on the share-based payment reserve is included in the Consolidated Statement of Changes in Equity.

33. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bega Cheese and the entities it controlled at year end or from time to time during the financial year. Bega Cheese is domiciled in New South Wales and is incorporated in Australia.

The financial statements were authorised for issue by the Directors on 28 August 2019. The Directors have the power to amend and re-issue the financial statements.

A. Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. Bega Cheese is a for-profit entity for the purpose of preparing the financial statements and is a company limited by shares.

Compliance with IFRS

The consolidated financial statements of Bega Cheese also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

i. AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. In adopting AASB 9, the Group revised its loss allowance methodology in relation to its trade receivables and has now applied a simplified model of recognising lifetime expected credit losses immediately upon recognition. The trade receivables do not have a significant financing component and have maturities of less than 12 months. Historical loss allowances in relation to trade receivables have not been material. The impact of the change in the loss allowance methodology did not result in a material change to the Group's net trade receivables in the current or prior reporting period.

The Group enters into a variety of derivative financial instruments to manage exposures which include forward foreign currency contracts to hedge exchange rate risks from the sale of exported goods and purchase of imported goods. In adopting AASB 9, the Group assessed that there was no impact to the accounting for its cash flow hedges.

ii. AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives.

The core principle of AASB 15 is that an entity should recognise revenue for the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Judgement can be required in determining whether product and services are considered distinct performance obligations that should be accounted for separately versus together.

Under AASB 15, the Group is required to offset certain payments to customers against the revenue earned from those customers where the payments are not deemed to be for distinct goods or services as defined in the standard.

33. Summary of significant accounting policies (cont.)

The following adjustments were made to the amounts recognised in the Consolidated Statement of Comprehensive Income for the year to 30 June 2018.

	Prior period restatement		
Consolidated statement of comprehensive income (extracts)	**30 Jun 18 (Previously stated)** $'000	**Remeasurement Increase/ (Decrease)** $'000	**30 Jun 18 (Restated)** $'000
Revenue	1,438,281	(186,240)	1,252,041
Cost of sales	(1,166,329)	186,240	(980,089)
Profit before income tax	271,952	-	271,952

The Group adjusted inventory for raw materials purchased from customers in the specific arrangements identified. These items were reallocated to other receivables at 30 June 2019 and the comparatives have been restated by $20,870,000.

Following a review of a representative sample of contracts and standard sales terms and conditions no other material changes were required.

Early adoption of standards

The Group has elected not to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments).

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Areas where assumptions and estimates are significant to the financial statements are disclosed in note 20. Certain items in the Consolidated Statement of Cash Flows have been reclassified in the prior period to better reflect their nature as investing activities rather than operating activities.

Prior year comparative

The presentation of certain operating expenses has been changed in the current year to better reflect their nature as administration expenses. The prior year comparatives have been restated to reflect consistent presentation with the current year.

B. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bega Cheese (Company or parent entity) as at 30 June 2019 and the results of all subsidiaries for the year then ended. Bega Cheese and the entities it controlled together are referred to in this financial report as the Bega Cheese Group, the Group, the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

When the Group transacts with a joint operation as a joint operator (such as through a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

Details relating to the joint operation are set out in note 24.

Joint venture

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. When the Group transacts with a joint operation as a joint operator (such as through a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. Details relating to the joint operation are set out in note 24.

C. Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Board of Directors.

D. Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Bega Cheese and its subsidiaries' functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

E. Revenue recognition

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies. Revenue is recognised to the extent that the Group satisfies a performance obligation to transfer promised goods or services and the transaction price can be readily identified. Revenue is measured at the fair value of the consideration received or receivable being the amount to which the entity expects to be entitled in exchange for goods and services. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Advertising of Bega-owned retail brands in conjunction with certain customers where the Group has some control over the way the money is invested, and a similar service could be provided by another party, the cost of this activity has been recognised separately as an advertising expense, consistent with prior periods.

The Group does not have any contracts where the period between the transfer of the promised product or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

33. Summary of significant accounting policies (cont.)

Revenue is recognised for the major business activities as follows:

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised at a point in time when the Group has passed control of promised goods or assets to the customer. Transfer of control to the customer occurs when the product has been shipped to the location specified by the customer and the customer accepts the product. The delivery terms include cost and freight (CFR) and cost, insurance and freight (CIF). These terms mean the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer. The Group assesses these sales at December and June reporting period and adjusts for those where control has not transferred to the customer.

Rebates and sale incentives to customers that have variable consideration are only included as a reduction in revenue when it is highly probable that the inclusion will not result in significant adjustments in the future.

The Group procures some ingredients from customers which are used to produce finished goods sold to the same customers. Payments for these ingredients are offset against the revenue earned from those customers where the payments are not deemed to be for distinct goods or services as defined in the standard. The Group has not recognised the ingredients purchased from customers as inventory, instead recognising the items in other assets.

Services

Revenue from services relating to certain production agreements with customers is recognised over time in the reporting period in which the performance obligation are met.

Royalties and rental revenue

Revenue is recognised overtime on an accruals basis in accordance with the substance of the relevant agreement. Royalties and license fees for use of its brand names with customers is recognised at the later of when the sales or usage occurs, and the performance obligation is satisfied.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

F. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of the asset and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

G. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

H. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the lease liability and finance cost. The finance costs charged to the profit and loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

33. Summary of significant accounting policies (cont.)

I. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the fair value of the net identifiable assets acquired exceeds the consideration transferred this amount is recognised immediately as a gain on bargain purchase in the Consolidated Statement of Comprehensive Income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

J. Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash flows from other assets or groups of assets or cash generating units (CGUs).

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value measurement is covered by AASB 13 and defines fair value of an asset as the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The Group uses a discounted cash flow model to assess the fair value less costs of disposal for impairment testing purposes of the Bega Foods and Koroit CGUs.

Bega Cheese Group uses discounted cash flow modelling to assess the fair value less cost of disposal for impairment testing. The estimated future cash flows are based on reasonable underlying financial and operational assumptions at the time including having regard to each of:

- recent actual historical performance
- business plans, budgets and other forecasts reflecting the short to medium-term outlook
- strategic plans defining the longer-term outlook and strategy approved for the business and related identifiable intangible assets.

The future cash flows are discounted to their present value using a discount rate reflecting the appropriate weighted average cost of capital based on capital market conditions, risk free rates, underlying growth rates and the risks specific to the asset at the time of the assessment. Key cash flow and discount rate assumptions are based on management judgement and also refer to external data and input from independent experts as required.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

K. Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

L. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (allowance for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within administration expense. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration expense in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Group transferred substantially all the risk and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the Group transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

M. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of 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. Milk is valued at average annual cost, including committed price increases in respect of the reporting period.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity or other appropriate cost allocation apportionments.

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

N. Other assets

Other debtors

The Group procures some ingredients from customers which are used to produce finished goods sold to the same customers. Payments for these ingredients are offset against the revenue earned from those customers where the payments are not deemed to be for distinct goods or services as defined in the standard.

The Group has not recognised the ingredients purchased from customers as inventory, instead recognising the items in other assets.

Prepayments

The Group recognises upfront payments to suppliers for exclusive supply as a prepayment on the balance sheet. The prepayments are amortised on a straight-line basis over the period of exclusive supply. The Group mitigates the credit risk of direct milk suppliers through management of payables to the suppliers.

33 Summary of significant accounting policies (cont.)

O. Investments and other financial assets

Loans and receivables

The Group classifies its investments in the following categories: loans and receivables and financial assets at fair value through other comprehensive income financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date that are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently carried at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group assesses at the end of each reporting period whether there is objective evidence that a loan or receivable is impaired. A loan or receivable is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

Certain shares held by the Group are classified as being financial assets at fair value through other comprehensive income (FVOCI) and are stated at fair value. Fair value is determined in the manner described in note 21. Gains and losses arising from changes in fair value are recognised through other comprehensive income with the exception of impairment losses that 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.

The group has applied AASB 9 retrospectively, but has elected not to restate comparative information on the basis that there is no material impact. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

P. Derivatives and hedging activities

The Group 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 Group does not enter into derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value assumes that the derivative is designated as a hedging instrument and depends on the nature of the item being hedged.

At the inception of the hedge relationship the Group 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 on-going basis, the Group 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and otherwise as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or administration expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within “revenue”. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or administration expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Q. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- buildings, 20 to 40 years
- plant and equipment, 5 to 20 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

33. Summary of significant accounting policies (cont.)

R. Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to that entity.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Brands and other identifiable intangible assets

Brands and other identifiable intangible assets purchased by Bega Cheese Group are initially recognised at cost, or at their fair value if acquired as part of a business combination.

These identifiable intangible assets are subsequently measured:

- if they have a finite life, at cost less amortisation, and
- if they have an indefinite life, at cost less accumulated impairment losses.

Finite life brands or other identifiable intangible assets are amortised on a straight-line basis over the shorter of their contractual or useful economic life, being three to 25 years. They are also tested for impairment when an indicator of impairment may exist.

Indefinite life identifiable intangible assets are not amortised but are instead tested for impairment annually, or more frequently if there is an indicator of impairment. Brands or other identifiable intangible assets are determined to have an indefinite life where there is an intention to maintain and support the brand or other intangible asset for an indefinite period.

Such assets are tested for impairment in accordance with the policy stated in note 33j.

Water rights

Water rights are recognised at cost less impairment losses. The asset is tested for impairment in accordance with the policy stated in note 33j.

Headwork utilities rights

Headwork utilities rights are recognised at cost less impairment losses. The asset is tested for impairment in accordance with the policy stated in note 33j.

Gene pool intellectual rights

PCA conducts a peanut research and development programme focussed on developing improved seed varieties for growers. The programme endeavours to improve the desirable attributes of seed varieties provided to growers, with the overall objective to improve the quality of PCA's peanuts and to minimise costs to production. Asset includes intellectual property relating to cross breeding peanut seed varieties for optimal commercial use, and plant breeder's rights for successful varieties.

Software

Expenditure on the development of intangibles, such as software, for internal use is capitalised as an intangible asset. Internally developed intangibles with a finite useful life are carried at cost less accumulated amortisation and impairment losses.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and will be amortised from the point at which the asset is ready for use using the straight line method over its estimated useful life, being three to 10 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible asset acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

S. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

T. Borrowings

Establishment fees are capitalised against borrowings and amortised over the period of the facility to which it relates. Should it be probable that the facility will not be fully utilised, the related establishment fees are written off to profit and loss as soon as the underutilisation has been identified.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed as incurred unless they relate to significant qualifying assets.

U. Provisions

Provisions for legal claims, warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

V. Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and vesting sick leave that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave and annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

33. Summary of significant accounting policies (cont.)

Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. All employees receive fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

Share-based payments

The fair value of rights granted under the Bega Cheese Limited Long-Term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted at the beginning of the scheme, which includes any market performance conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

W. Contributed equity

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

X. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Y. Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Z. Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

AA. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

AB. Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AC. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations as applicable to the Group is set out below.

i. AASB 16 *Leases* (effective for annual reporting periods commencing on or after 1 January 2019). The Group will adopt AASB 16 from 1 July 2019.

Under the new standard the Group will be required to recognise a 'right-of-use' (ROU) asset and a lease liability for all identified leased assets in the balance sheet. This will apply to all previous operating leases except those within the Group accounting policy that do not meet the definition of a lease or fall under the exemptions of low-value asset or short-term leases.

The current operating lease payments will be replaced by a straight-line depreciation charge on the ROU Asset and a finance charge calculated on the present value of the lease liability, over the lease term. The principal component of lease payments will be reclassified in the Consolidated Statement of Cash Flows from operating activities to financing activities.

The Group has completed a review to create a new lease register, set-up new policies and processes to manage the new ongoing accounting requirements and determining a preliminary assessment of the impact if adoption on the Consolidated Balance Sheet at 1 July 2019 and on the Consolidated Statement of Comprehensive Income for the year ended 30 June 2020. There are no significant implications of adopting the AASB 16 to the Group's funding, tax and dividend strategy.

Transition

The Group will adopt the new standard using the modified retrospective approach at the initial application (1 July 2019), without restating the comparative period. The Group will recognise any transitional adjustments in Retained Earnings. The Group has applied practical expedients on transition as permitted by the standard for non-lease components, low-value and short-term leases and lease portfolios.

Estimated impact from adoption of the standard

The Group has carried out a preliminary assessment of the impact of the standard on the 30 June 2020 financial statements. The estimated impact is as follows:

Financial Statements - approximate impacts*	$m
Balance Sheet - as at 1 July 2019	
Right of Use Assets	7.2
Lease Liabilities	(9.2)
Retained Earnings	2.0
Income Statement - year ending 30 June 2020	
EBIT	0.5

** Based on lease agreements as of 1 July 2019*

This impact primarily related to the Group's leasing of warehouses across NSW and Victoria.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

AD. Parent entity financial information

The financial information for the parent entity, Bega Cheese, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below:

i Investments in subsidiaries and joint venture entities

Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Bega Cheese.

ii. Dividend income

Dividends receivable from subsidiaries and joint venture entities are included in Bega Cheese's income statement.

Directors' Declaration

In the Directors' opinion:

a. the financial statements and notes set out on pages 38 to 88 are in accordance with the *Corporations Act 2001*, including

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

Note 33j confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

Max Roberts
Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

28 August 2019

Independent Auditor's Report

To the members of Bega Cheese Limited

Report on the audit of the financial report

OUR OPINION

In our opinion:

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

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group financial report comprises:

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

BASIS FOR OPINION

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

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

Independence

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

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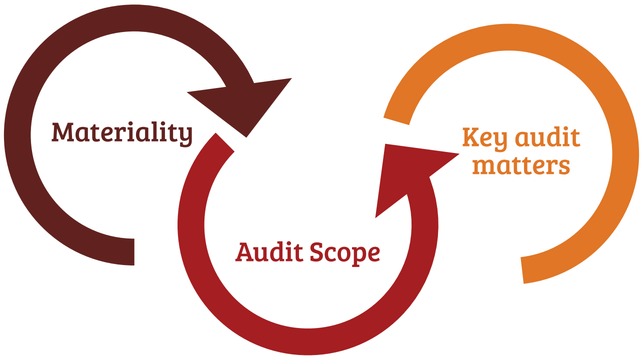
OUR AUDIT APPROACH

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

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



Materiality

- For the purpose of our audit, we used overall Group materiality of $2.8 million, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of unusual or infrequently occurring items (as described below).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the impact of current year events on profit before tax as disclosed in note 2 as these are unusual or infrequently occurring items impacting the consolidated statement of comprehensive income.
- We selected a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements, for example, significant accounting estimates involving assumptions and inherently uncertain future events.

- The Group operates in Australia. The audit is aligned with the geographical and divisional structure of the Group. We attended sites in Melbourne, Tatura, Koroit and the head office in Bega to perform our audit procedures.

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Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
The carrying value of goodwill and other intangible assets - Bega Foods & Koroit (Refer to note 12)	
At the year end, the Group recognised goodwill and indefinite life intangible assets in relation to the Bega Foods and Koroit cash generating units (CGUs) of $476 million. The Group exercised judgement in testing the carrying value of the goodwill and other indefinite life intangible assets that have been recognised. This was a key audit matter due to: • The magnitude of the goodwill and intangible asset balance held by the Group. • The level of judgement in the valuation models including forecasting future cash flows and determining the appropriate discount and long term growth rates • The accounting judgement in determining the Group's CGUs following the recent acquisitions.	We obtained the Group's "fair value less costs to dispose" models (the models) used to test the impairment of the Bega Foods CGU and Koroit CGU and checked the mathematical accuracy of the calculations. We considered whether the Group's determination of CGUs was consistent with our understanding of the nature of the Group's operations. We evaluated the Group's cash flow forecasts and the process by which they were developed. We compared the forecasts in the models to the Board approved budgets. We were assisted by PwC valuation experts in assessing the methodologies used in the main assumptions included in the models. In particular, we compared the discount and long term growth rates used in the models with rates generally observed in the industry. We assessed key growth assumptions within the models with specific focus on forecast revenue, profit margins and milk intake. We tested the sensitivity of the calculations by varying the key assumptions, using a range of possible rates. We considered the accounting policies and disclosures in note 12 and in note 33 for consistency with Australian Accounting Standards.
Business combinations accounting – Koroit (Refer to note 26)	
On 17 August 2018, the Group completed the acquisition of the Koroit dairy processing facility for consideration of $251 million and the acquisition accounting has been finalised in the 30 June 2019 financial report. This acquisition was a key audit matter given: • the magnitude of the transaction in the year • the judgements required by the Group in identifying and determining the fair value of the assets and liabilities acquired (in particular property, plant and equipment, inventory and tax balances).	We obtained and read the sale and purchase agreement to develop an understanding of the terms and conditions of the transaction. We agreed the consideration paid to banking records. In performing procedures over the identifiable net assets acquired, amongst other procedures we: • Attended physical inventory counts close to acquisition date. • Compared the fair value of property, plant and equipment to third party valuation reports and considered the Group's external valuers' competency, qualifications, experience and objectivity. • Checked the appropriateness of recognising the goodwill, including an assessment of the completeness of the identifiable net assets, with reference to the requirements of Accounting Standard AASB 3 *Business Combinations*. • Re-performed the calculation of the resultant goodwill. We also considered the adequacy of the Group's disclosures in the light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Inventory valuation (Refer to note 10) This was a key audit matter due to: • The inventory provisioning process is complex and there are different approaches across the Group. • Provisioning for quality and obsolescence issues requires judgement. • Recent volatility in global commodity prices increases the risk of inventory cost being in excess of its net realisable value.	Amongst other procedures, we: • Read the minutes of Board meetings to identify potential product shelf life and quality issues. • Discussed product shelf life and quality issues with management and feasibility of plans for re-processing or disposal of inventory. • Discussed quality claims from customers with management and analysed credit notes and other sales adjustments processed after year end. • Analysed a sample of inventory sold subsequent to year-end for evidence of potential net realisable value concerns. • Considered the adequacy of provisions against inventory in light of the risks identified by the Group and the evidence obtained through the procedures described above.
Adoption of AASB 15 Revenue from Contracts with Customers (AASB 15) (Refer to note 33) On 1 July 2018, the group adopted AASB 15 *Revenue from Contracts with Customers (AASB 15).* This resulted in changes to accounting policies and an adjustment of $186 million to revenue previously reported under superseded Australian Accounting Standards This was a key audit matter due to: • The magnitude of the adjustment to revenue. • Significant accounting judgements being made by the Group in assessing the impact of AASB 15.	We performed the following procedures, amongst others: • Assessed the adequacy of the methodology used by the Group for contract reviews required to identify the impact of AASB 15. • For a sample of contracts, we obtained and read the contracts and developed an understanding of the key terms of the arrangement including parties, term dates, background of agreement, performance obligations and payments to be made. • Checked the mathematical accuracy of the Group's adjustment for AASB 15. We also considered the adequacy of the Group's disclosures in note 5 and note 33 in the light of the requirements of Australian Accounting Standards.
Trade Receivables Facility (Refer to note 8) As part of its capital management strategy the Group entered into a new $200 million Trade Receivables Facility during the year. The new facility resulted in the partial derecognition of trade receivables on the balance sheet as at 30 June 2019 based on the level of risk and rewards transferred to the purchaser by the Group. This was a key audit matter due to: • Significant accounting judgements were made by the Group in determining whether the criteria for derecognition of the trade receivables had been met in accordance with Accounting Standard AASB 9 *Financial Instruments*. This included making a judgement about whether substantially all of the risks and rewards associated with ownership of the trade receivables were transferred to the purchaser of the trade receivables under the terms and conditions of the Trade Receivable Facility. • The derecognition of trade receivables impacts the calculation of the leverage ratio which is a covenant the Group is required to comply with as part of its Syndicated Facility.	We performed the following procedures, amongst others: • Obtained and read contracts executed in setting up the Trade Receivables Facility and developed an understanding of the terms and conditions. • Obtained the Group's assessment of the treatment of the Trade Receivables Facility against the derecognition criteria in accordance with AASB 9 *Financial Instruments.* • We considered the appropriateness of key judgements in the Group's assessment. In particular we considered whether the terms and conditions of the facility resulted in the transfer of substantially all of the risks and rewards associated with ownership of the trade receivables. This included considering the quantification of the risks and rewards before and after the receivables were sold to the purchaser. We also considered the adequacy of the Group's disclosures in the light of the requirements of Australian Accounting Standards.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

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

Report on the remuneration report

OUR OPINION ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 23 to 30 of the directors' report for the year ended 30 June 2019.

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

RESPONSIBILITIES

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
28 August 2019

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2019:

Distribution of Equity Securities

Holding	Number
1 – 1,000	5,162
1,001 – 5,000	4,668
5,001 – 10,000	1,300
10,001 – 100,000	853
100,001 and over	159
	12,142

There were 823 holders of less than a marketable parcel of ordinary shares.

Equity Security Holders

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

Name	Number of Shares	% of Total Shares on Issue
Perpetual Limited	21,719,420	10.2
Cooper Investors Pty Limited	16,770,452	7.8
Ethical Partners Funds Management Pty Limited	10,998,080	5.1
Pendal Group Limited	9,698,048	4.5
Spheria Asset Management Pty Limited	7,041,270	3.3
Karara Capital Limited	5,771,472	2.7
The Vanguard Group, Inc	5,557,724	2.6
Vanguard Investments Australia Limited	4,591,895	2.1
Tribeca Investment Partners Pty Limited	4,484,675	2.1
Dimensional Fund Advisors Limited	4,055,429	1.9
Argo Investments Limited	3,568,294	1.7
Realindex Investments Pty Limited	3,219,112	1.5
Aljo Pastoral Pty Limited*	2,707,841	1.3
Jerang Pty Limited*	2,668,982	1.2
Norges Bank Investment Management	2,451,297	1.1
Mr Richard E Platts	2,194,863	1.0
JL & KD Kimber	2,142,923	1.0
State Street Global Advisors, Australia Limited	2,033,806	1.0
Macquarie Asset Management Limited	1,951,655	0.9
R & R Apps Pty Limited	1,826,829	0.9
	115,454,067	**53.9**

*Shareholdings related to KMP including Directors are detailed in the Remuneration Report.

Substantial holders

No shareholder holds more than 15% of the issued capital of the Company. Under the Company's constitution a shareholder limit of 15% is in place until 16 August 2021. In accordance with Rule 3.10 of the Bega Cheese Limited Constitution, at the 2015 Annual General Meeting the shareholders voted to increase the shareholder limit to 15% for a further five years from 17 August 2016, after which time it will be removed.

Voting rights

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

Corporate Directory

ADVISORS

Auditor
PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Solicitors
Addisons
Level 12, 60 Carrington Street
Sydney NSW 2000

Bankers
Rabobank Australia Limited
Level 16, Darling Park Tower 3
201 Sussex Street
Sydney NSW 2000

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000

Commonwealth Bank of Australia
192-194 Carp Street
Bega NSW 2550

Stock Exchange Listing
Bega Cheese Limited shares are listed on the Australian Securities Exchange (ASX) – Code BGA

DIRECTORS & COMPANY SECRETARIES

Directors
Max Roberts
Chairman (Acting)

Barry Irvin
Executive Chairman

Richard Cross
Director

Raelene Murphy
Independent Director

Terry O'Brien
Independent Director

Jeff Odgers
Director

Richard Parbery
Director

Company Secretaries
Brett Kelly
Colin Griffin

EXECUTIVE TEAM

Paul van Heerwaarden
Chief Executive Officer

Colin Griffin
Chief Financial Officer

Mark McDonald
Executive General Manager Dairy Ingredients

David McKinnon
Executive General Manager Human Resources

Adam McNamara
Executive General Manager Bega Foods

Stephen Rae
Executive General Manager Strategy

Hamish Reid
Executive General Manager Nutritionals

Antonietta Timms
Executive General Manager Operational Excellence

ENTITY INFORMATION

Bega Cheese Limited
Trading as "Bega Cheese"

ABN 81 008 358 503

The Annual Report includes the results of Bega Cheese Limited (Bega Cheese, Company or parent entity) and the results of the subsidiaries, joint venture and joint operation. Bega Cheese and its subsidiaries together are referred to in this financial report as the Bega Cheese Group (Group or consolidated entity).

Tatura Milk Industries Pty Ltd
Tatura Milk Industries Pty Ltd (Tatura Milk) is a 100% subsidiary of Bega Cheese.

Peanut Company of Australia Pty Ltd
Peanut Company of Australia Pty Ltd (PCA) is a 100% subsidiary of Bega Cheese.

Capitol Chilled Foods (Australia) Pty Ltd
Capitol Chilled Foods (Australia) Pty Ltd (joint venture or CCFA) is the 25% joint venture of Bega Cheese.

180 Nutrition Pty Ltd
180 Nutrition Pty Ltd (180 Nutrition) is a 61% subsidiary of Bega Cheese.

Principal Registered Office
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E: admin@bega.com.au
W: www.begacheese.com.au

Share Registry
Link Market Services Limited
Tower 4, 727 Collins Street
Docklands VIC 3008
T: 1300 554 474

Reporting Period
This Annual Report is for the year ended 30 June 2019 and is referred to as FY2019

OUR SITES

TOLGA
12 Tostevin Street
Tolga QLD 4882 Australia

KINGAROY
133 Haly Street
Kingaroy QLD 4610 Australia

BEGA CHEESE MANUFACTURE
11-13 Lagoon Street
Bega NSW 2550 Australia

BEGA HEAD OFFICE AND PROCESSING & PACKAGING PLANT
23-45 Ridge Street
Bega NSW 2550 Australia

TATURA
236 Hogan Street
Tatura VIC 3616 Australia

STRATHMERTON
Murray Valley Highway
Strathmerton VIC 3641 Australia

KOROIT
41 Commercial Road
Koroit VIC 3282 Australia

PORT MELBOURNE
1 Vegemite Way
Port Melbourne VIC 3207 Australia

PORT MELBOURNE
664 Lorimer Street
Port Melbourne VIC 3207 Australia


Bega