



Bega Cheese Limited

2024 ANNUAL REPORT



Our Vision

**TO BECOME
THE GREAT
AUSTRALIAN
FOOD
COMPANY**

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ABOUT US

Bega Group is a leading producer of packaged foods, beverages and ingredients that millions of people use every day.

We operate across two business segments:

1. Branded – consumer and foodservice products sold through grocery, route trade, foodservice, petrol and convenience channels.
2. Bulk – nutritional powders and dairy ingredients sold primarily to food manufacturers.



**Our transformation to
a brand-led business**

Since 2001, we have transformed from a dairy co-operative with a strong regional cheese brand into a diversified, branded, food and beverage business. This transition from a commodity-led to a brand-led company is positioning Bega for higher and more consistent earnings.

We will continue to strengthen and grow as a branded food products company, which creates value for our customers, consumers, suppliers and investors, and advances us towards our vision to become the Great Australian Food company.

**BALANCE
2017–2020**

New platform with acquisition of grocery brands.

Shift in focus to grow branded business while diversifying milk sourcing.

Branded food portfolio including Vegemite.

Products expanded into non-dairy categories.



**STRENGTH
2021–FUTURE**

Acquisition of Dairy and Drinks.

Increased brand portfolio with iconic dairy brands.

Extensive cold chain distribution network with expanded customer base.

Accelerated investments in innovation and branded growth.

Portfolio expanded into branded beverages, yoghurts and more.



**EXPAND
2001–2016**

Increase in scale with acquisition of Tatura and Strathmerton and investment in capacity.

Successful ASX listing and accessing growth capital.

Expanded dairy portfolio – nutritionals, cream cheese, cheese cut and wrap.



**BUILD
1899–2000**

Dairy co-operative based in the Bega Valley.

Primarily cheese production at Bega sites.



OUR BUSINESS MODEL

Our business model is built around an integrated value chain which supports our growth as a branded food products manufacturer.

OUR UNIQUE CAPABILITIES

BRANDS

Diversified portfolio of market-leading brands

MANUFACTURING NETWORK

Comprehensive, robust and flexible supply chain

OUR VALUE CHAIN

1. Sourcing

We are one of Australia's largest purchasers of milk, with over 600 farmer supply contracts. We have 360 material¹ suppliers that support our business.

2. Manufacturing

We convert fresh ingredients like milk into bulk ingredients and branded packaged goods in 19 manufacturing facilities.

THE VALUE WE CREATE



Shareholders

\$30.5m
profit after tax

\$24.4m
dividends declared
for FY2024



Farmers and
suppliers

\$1.5bn
paid for milk and
ingredients

¹ Suppliers with annual purchases over \$1 million

² Relevant capital and research & development expenditure in FY2024

³ Data sourced from Circana Market Edge, AU Grocery Unweighted and AU Convenience, 12 months to 30 June 2024 (Measured Market).

⁴ Circana IHP panel data (MAT to 16 June 2024)

FARMER RELATIONSHIPS

Strong, direct links
with farmers and suppliers

DISTRIBUTION NETWORK

Extensive, efficient
logistics and distribution

3. Distribution

We deliver daily across Australia through an extensive network of 6 distribution centres and 81 depots. We also distribute products to more than 40 countries.

4. Sales and marketing

We serve approximately 29,000 customers in multiple sales channels such as grocery retail, route trade, petrol and convenience, industrial and foodservice.

5. Consumers

Our products are consumed by the majority of Australian households, and are part of the daily diet of millions of consumers worldwide.



Our people and
communities

\$62m

invested in food
manufacturing²



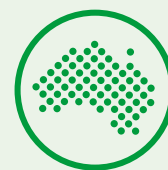
Customers

\$1.8bn

est. retail sales
value generated³

\$257m

branded export
revenue generated



Consumers

97%

of Australian
households are
fed with a Bega
branded product⁴

Our manufacturing footprint brings flexibility, efficiency and scale

Our manufacturing sites are situated near major food and milk producing regions and key distribution points in our logistics network. This supports branded value creation through cost effective manufacturing at scale and national availability of our key branded consumer products.

The site footprint and supply chain integration between our Bulk and Branded businesses help us maximise the benefits from the annual 1.3 billion litres of milk we collect for Bega products. These benefits include balancing seasonal fluctuations in milk supply with demand, optimising milk procurement costs and increasing the value generated from the protein surplus of the branded business.



Our distribution network enables our brands to be at favourable points of purchase nationwide

We have a highly efficient national chilled distribution network that delivers fresh food products daily across Australia. We connect metropolitan and regional Australia via large road/rail vehicles through to small route trucks.

The breadth and scale of this distribution reach, and our trusted partnerships with our customers, enable our brands to be at the most favourable points of purchase, serving consumers where they want to buy.



6
DISTRIBUTION CENTRES



81
DEPOTS



~3,200
TRUCKLOADS PER WEEK



~29,000
CUSTOMERS SERVED

We have a diversified portfolio of leading brands with strong market positions

Our top eight brands contribute over 74% of branded revenue⁵ and include both essential consumer items and discretionary purchases. Many are iconic Australian brands with enduring consumer appeal.

Grocery category	Bega market share ⁶	Bega market position	Bega brands
Milk-based beverages	50%	1	    
Yoghurt ⁷	25%	1	  
Spreads	29%	1	   
Fresh white milk	11%	3	    
Chilled juice and drinks	22%	2	  
Creams and custards	8%	4	 
Water ice	85%	1	 

VALUE CREATION PRINCIPLES

Principles underlying our brand portfolio investment decisions

Enduring brand competitive advantages

⁵ Includes Bega owned and licenced brands only.

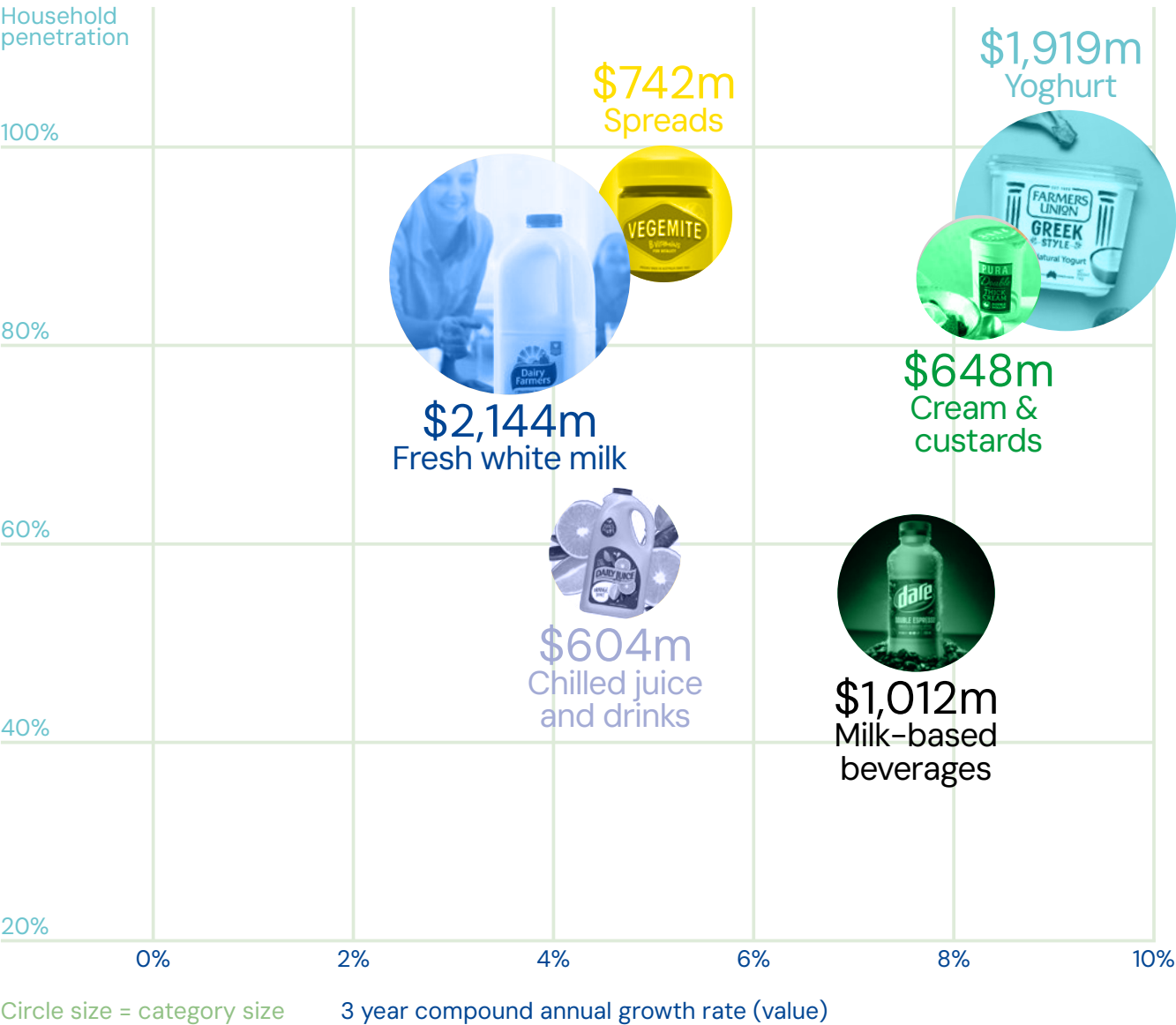
⁶ Data sourced from Circana Market Edge (AU grocery and structured convenience) 12 months to 30 June 2024 based on data definitions provided by Bega.

⁷ Yoplait brand used under licence.

We operate in growing categories bought by the majority of Australian families

These categories have shown resilient demand through economic cycles and present growth opportunities even with high household penetration.

Australian retail categories



Leverage channel and distribution capability

Positive future category growth and consumer opportunities

Attractive and sustainable long-term returns

OUR STRATEGIC PRIORITIES

We are a purpose-led organisation, and our business structure, vision and culture create an aligned and forward-looking organisation.

Our actions link with our sustainability commitments, which are fundamental to building trust with our stakeholders and delivering ongoing growth and value for our shareholders.

Our Vision

**TO BECOME THE
GREAT AUSTRALIAN
FOOD COMPANY**

Our Purpose

**CREATING GREAT
FOOD FOR A
BETTER FUTURE**

Our Values

**GROW
OUR
PEOPLE**

**PASSION
FOR THE
CUSTOMER
AND
CONSUMER**

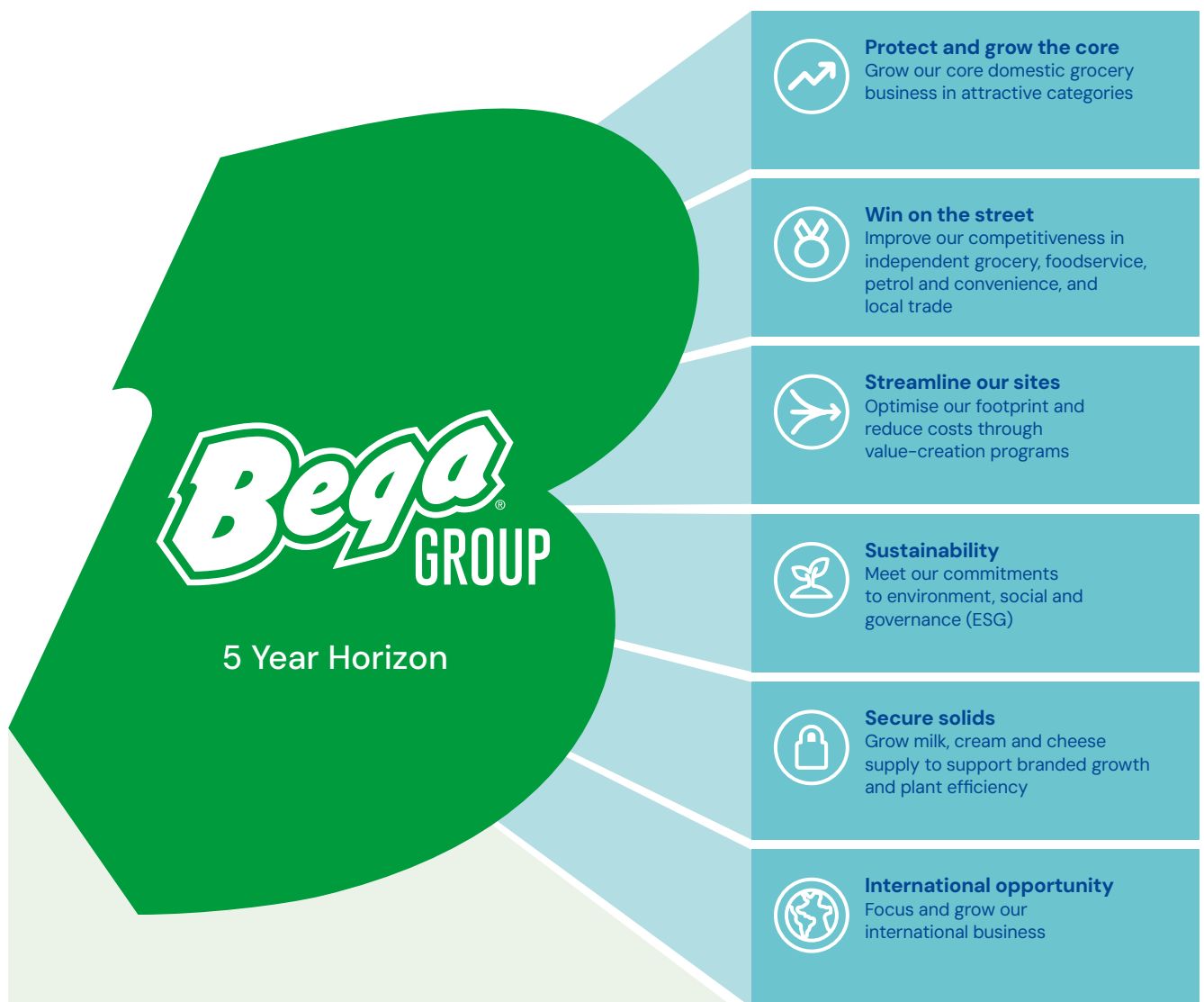
**INVEST
IN OUR
FUTURE**

**SUPPORT
EACH
OTHER**

Over the next five years, we will continue to strengthen our position as a leading branded food manufacturer through our six strategic priorities underpinned by the foundation of 'Organisational enablement'.

We will expand gross margin and EBIT margin through:

- Enhanced technology solutions increasing customer engagement and interaction.
- Insight-led new product development delighting consumers.
- Revenue management – advanced promotional and product portfolio management and an agile Bulk business moved to the highest returning fat and protein pairings.
- Supply and cost of goods optimisation through supply productivity and site efficiency improvements.
- Cash flow and capital structure focus on enhancing returns and reducing the cost of funds.
- Increasing our scale and efficiencies to optimise our cost of doing business.



Organisational enablement

Enabling a sustainable, high-performing organisation to achieve our strategy

2024 FINANCIAL PERFORMANCE AT A GLANCE

Top line revenue:

FY2024

\$3.52
billion

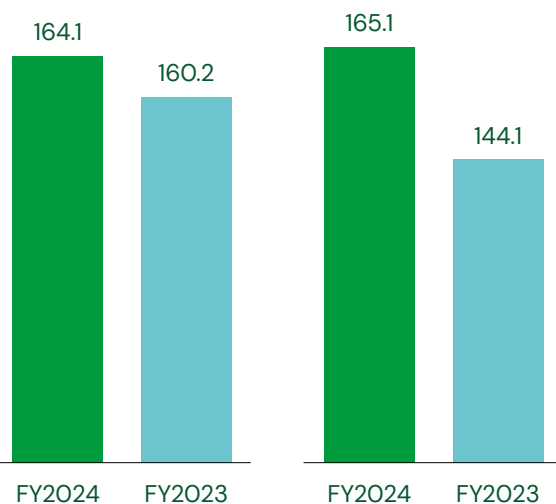
FY2023

\$3.38
billion

EBITDA (\$ million):

Normalised

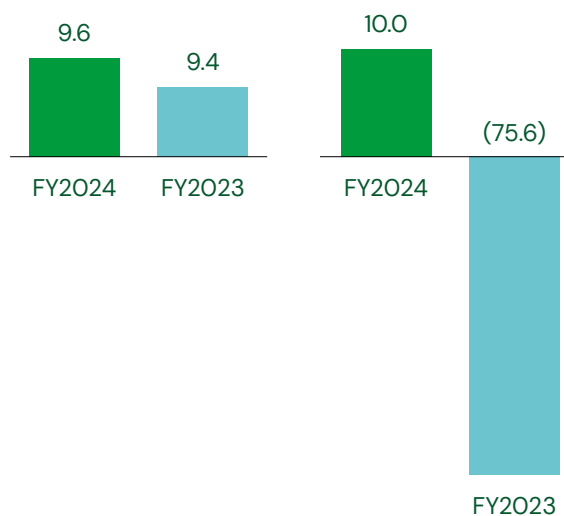
Statutory



Basic earnings per share (cents):

Normalised

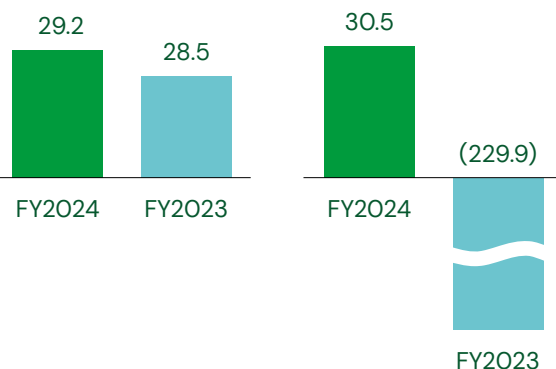
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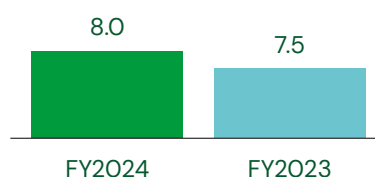
Profit after tax (\$ million):

Normalised

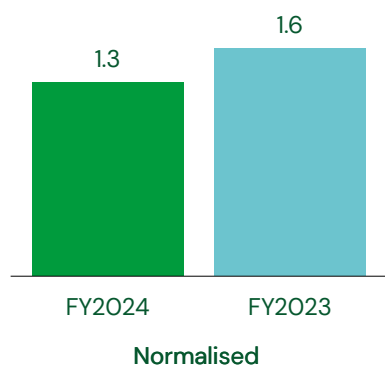
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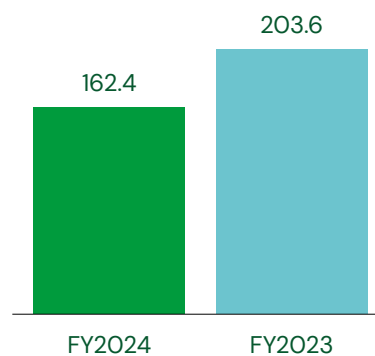
Total dividend per share (cents):



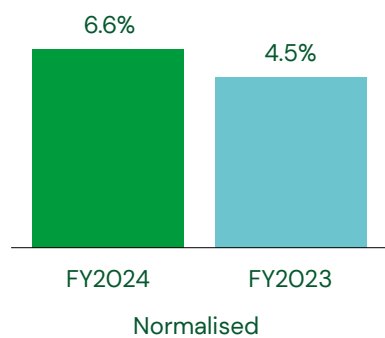
Leverage ratio[#]



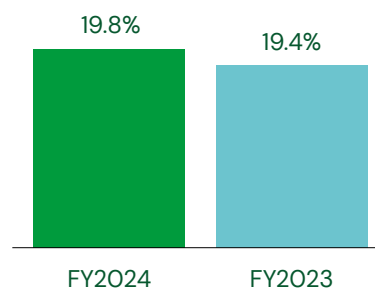
Net debt (\$ million)



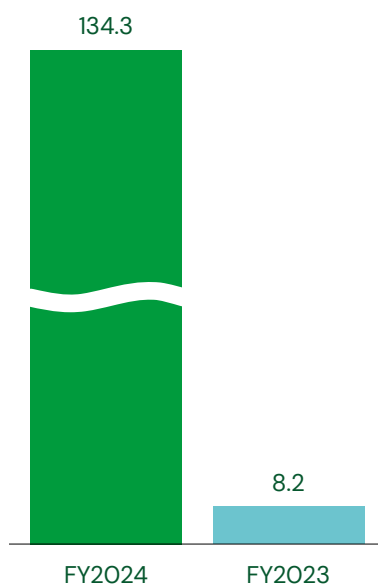
Branded EBITDA margin



Group gross margin



Cash flows from operating activities (\$ million)



[#]Net debt/normalised EBITDA (adjusted for AASB 16 Leases).

Chairman and Chief Executive Officer's Report

Barry Irvin
Executive Chairman
Peter Findlay
Chief Executive Officer



In FY2024 we embarked on the first year of a five-year strategic plan focused on continuing the transition to a brand-led business. Our results this year demonstrate the strength and breadth of our Branded portfolio.

The Bega Group strategy continues our transition to a predominantly brand-led business. The Bulk segment of our business remains a key platform for providing product to our Branded business and balancing our milk supply. During the year, we largely completed a restructuring program to further align the company to the strategy. These changes eliminated overlap between teams in the Branded business, improved focus, simplified operations, reduced back office and Bulk segment costs, and delivered more than \$22 million in annualised savings.

Our Branded segment had a record year with strong performance in our key categories of yoghurt, milk-based beverages, and spreads. It is a testament to our brands that volumes remained resilient despite the need to offset high underlying cost inflation with pricing and product mix initiatives implemented in the current and prior year. Strong delivery in our supply chain, and logistics efficiency programs, created additional benefits through margin expansion in the Branded business.

Farm gate milk prices, which moderated only slightly in FY2024, remained disconnected from global dairy commodity prices leading to a loss in our Bulk segment. The Bulk business mitigated part of this loss by acquiring volumes of lower cost opportunity milk from other dairy companies, particularly during the high production months in spring and by delivering manufacturing efficiencies at key sites. It was encouraging to see Australia's milk pool stabilise in FY2024, and the availability of surplus milk during the spring peak season indicates that rational moves to reduce excess capacity by major processors are beginning to bring the industry into better supply and infrastructure alignment.

As we look forward to FY2025, farm gate milk prices for the coming year have begun to better align with global dairy commodity prices. While the overall basket of global dairy commodities is not anticipated to materially increase in price in FY2025, the measures we have implemented to further enhance the agility and cost structure of our Bulk segment, coupled with better alignment of farm gate milk prices, are projected to return our Bulk segment to profitability.

The strong growth in our Branded business in FY2024 is expected to ease in FY2025. The challenging consumer environment has led to lower out-of-home consumption in 2H FY2024, and FY2025 is expected to see limited opportunities to increase price and an uptick in consumer promotional activity. To sustain earnings growth in our Branded business, we will focus on volume growth in our core categories and on delivering strong efficiencies and savings in our supply chain, logistics and procurement value creation programs.

The annualised impact of overhead savings delivered during FY2024, as well as further cost savings initiatives, will be important to ensure delivery of EBITDA growth in the context of more limited pricing opportunities.

With our Bulk segment returning to profitability, we project the Group's results in FY2025 will remain firmly on track to achieve the FY2028 Strategic Plan profitability objective of greater than \$250 million in normalised EBITDA.

Financial performance

Our statutory revenue for FY2024 was \$3.5 billion, up 4% on FY2023. Branded business revenue grew by 6% while Bulk segment external revenue declined by 3% due to lower prices and subdued demand for global dairy commodities.

Our statutory EBITDA for FY2024 is \$165.1 million, 15% higher than the previous year. The statutory net profit after tax for FY2024 is \$30.5 million, an increase of \$260.4 million compared to a prior year result which included an impairment of our Bulk business assets.

On a normalised basis the company achieved an EBITDA of \$164.1 million, consistent with guidance for the year. Normalised net profit after tax is \$29.2 million, an increase of 2% compared to the prior year. These results exclude profit from the sale of our Canberra site in 1H FY2024, restructuring costs to align with our new strategy, and integration costs for our Betta Milk acquisition – including our subsequent consolidation of processing capacity in Tasmania.

The Branded segment increased normalised EBITDA in FY2024 by 55% to \$199.9 million with revenue, mix and promotional initiatives from the current and prior year offsetting cost inflation, while efficiency programs enabled margin expansion.

Despite our greater than expected purchases of lower-cost spring milk and our Bulk segment efficiency programs, the disconnect between farm gate milk prices and global dairy commodities led to a normalised \$18.2 million EBITDA loss in our Bulk segment.

Our earnings in FY2024, the sale of the Canberra site in 1H FY2024 and a strong focus on net working capital enabled us to close FY2024 with net debt of \$162.4 million, 20% lower than FY2023. We finished the year with a reduced leverage ratio of 1.3 times, well within covenant limits.

We announced a final fully franked dividend of 4.0 cents per share following an interim dividend of 4.0 cents per share in February, bringing the total fully franked dividend for the year to 8.0 cents per share, up 7% when compared with the prior year.

Focused brand innovation and investment

Our focus on innovating and investing in our core categories of yoghurt, milk-based beverages and spreads, coupled with a strong nation-wide supply and logistics network delivered for customers and consumers alike.

In the yoghurt category, we commissioned our new pouch line in Morwell at the beginning of FY2024, enabling no added sugar innovation in Farmers Union Greek Yoghurt for kids and Yoplait YOP. The Farmers Union brand achieved 11% retail sales value growth supported by new marketing initiatives and Yoplait achieved 10% retail sales growth with new large format yoghurt tubs and a strong advertising campaign. Our yoghurt portfolio is well positioned for consumers who, in a challenging environment, increasingly seek the important combination of good value and good quality.

Our milk-based beverages category also performed strongly, with 9% retail sales growth in the Dare brand. The expansion of the Dare INTENSE line, continued roll-out of recycled PET packaging, introduction of lactose-free and no-sugar-added offerings, and the launch of our first plant-based Dare offering in 2H FY2024 all contributed to this growth. The success of these functional benefit product launches spurred growth in categories other than yoghurt and milk-based beverages. While overall fresh white milk sales were largely flat in FY2024, lactose-free white milk more than tripled in volume when compared with the prior year.

This year we celebrated the 100th birthday of the iconic Vegemite brand, accompanied by TV advertising, online media and activity which led to a growth rate of nearly twice that of the spreads category. Vegemite is an excellent example of how, with strong support, a brand can thrive over a very long time. Vegemite joins Dairy Farmers and Bega as one of three brands in our portfolio which now have a century of history.

We were also very pleased with the results in our International Branded business. Despite subdued demand in China, our Southeast Asia business performed strongly. Our new Middle East model improves capability to service and grow retail, quick-service restaurants, and key account customers. Overall, it was a record year in terms of both revenue and profitability for our International Branded business and we believe this business has the potential to more than double organically in the next several years.

Investing in the future

In December 2023, we completed the acquisition of Betta Milk in Tasmania after selling our Canberra facility the month before. In 2H FY2024, we consolidated our Tasmanian processing operations to our Lenah Valley site, leading to synergies and more efficient use of capacity in the industry.

During FY2024, we completed most of the restructuring program announced in June 2023 to align the organisation with our strategy. The strategy enhances focus on our most important product categories, completes the delivery of

synergies from the Lion Dairy & Drinks acquisition and ensures greater visibility and accountability for our sales channels. A strong example of this was the launch in 2H FY2024 of our new foodservice product range under the Dairy Farmers brand, coupled with investments in capability. With a product portfolio that includes milk, creams, peanut butters, Vegemite, juices, cheese, milk-based beverages, yoghurts and more, we have a substantial opportunity to grow our foodservice business to a share which is more aligned to our presence in the grocery channel.

With \$75 million of investment in FY2024, our capital investment program focused on growth, capabilities and efficiency. Our new Business to Business (B2B) customer portal went live in late FY2024. While it will take a few months to roll it out to our local trade base of approximately 29,000 customers, we are very encouraged by the feedback we are receiving from customers who have already made the transition. In a channel where data and information have historically been more difficult to access, this portal has significant potential to enable us to sell a broader range of products to customers including cafes, restaurants, petrol and convenience, institutions and more.

In 2H FY2024 we also began investing in the automation of our main national logistics centre in Laverton. This is a long-term investment which is expected to go live in FY2026, and the annualised benefits of this automation are compelling.

Investments in efficiency also made up a substantial share of our capital program, with site-based investments leading to conversion cost savings. The integration of our core ERP Order to Cash processes improves our back-office processes and efficiency, and has also delivered savings.

Agile Bulk business positioned for the future

The disconnect between farm gate milk prices and global dairy commodity prices reached a peak in FY2024, leading to an EBITDA loss of \$18.2 million in our Bulk segment.

We purchase more than 1.3 billion litres of milk each year, with the most important use being the provision of milk to our dairy brands. We are absolutely committed to maintaining an agile Bulk business and took a number of steps during the year to optimise this business which will enable it to return to profitability in the future.

We modified shift structures in parts of the Bulk business where global demand for commodities was lower, resulting in efficiencies and savings. Importantly, we benefited from surplus milk during the spring peak season, which indicates that dairy industry processing capacity is slowly beginning to better align with milk supply.

We also sharpened our focus on higher value commodities and nutritional products. With commodity protein powders at lower prices in FY2024, and some dairy fats trading at higher prices, we were able to respond to market movements and mitigate some of the impacts of global pricing by selling higher value dairy commodities.

Sustainability

Our sustainability strategy since 2019 has been 'the greater good' and we are pleased to announce its evolution. This iteration of the strategy works with our business of today and our ambitions for the future. Its three strategic pillars are circularity, community and collaboration.

We continue to maintain our previous commitment of a 40% reduction in absolute scope 1 and 2 GHG emissions by 2030 (from FY2021 base year) and net zero by 2050. We are also committed to a 30% reduction in water use by 2030 (from FY2021 base year).

Significant progress has been made in FY2024 in meeting our targets associated with the National Packaging Covenant. We have continued to introduce recycled plastic bottles of less than 1 litre and invested \$14 million establishing in-house recycled bottle production at our Wetherill Park facility.

In preparation for the upcoming obligations associated with climate related financial disclosures the Company has conducted a gap analysis assessment for the draft Australian Standards and designed a road map to ensure timely compliance of our future disclosure obligations.

As we look to the future, we recognise that effective collaboration will be vital to ensure a sustainable world. The Regional Circularity Co-operative (RCC) is a great example of collaboration between all tiers of government, large and small businesses, academic and research institutions, and the community. As a foundation member of the RCC, Bega Group has been instrumental in ensuring the success of this ambitious 'place based' project that has already seen research and innovation projects creating many sustainability opportunities.

Knowledge and understanding developed at Bega Group and the RCC will extend across the Company and build on our objectives of collaboration, circularity and working with the community to ensure we are creating great food for a better future.

People and safety

We have continued to invest heavily in safety in FY2024, with a focus on improvements in manual handling, machine guarding, and traffic management at our key manufacturing and logistics sites. We continue to roll out training with respect to our six life-saving rules and have also started a program which focuses on wellbeing initiatives supported by our onsite physiotherapy providers at key sites.

Conclusion

Our Branded business delivered strong results in FY2024, with innovation and focused investment in our core categories and channels driving growth. Our supply, logistics and procurement efficiency programs enabled margin expansion in the Branded business. Both the dairy and drinks portfolio and the spreads portfolio are now performing at margin levels greater than when they were acquired and have created a Branded platform for the Bega Group to recognise its vision of becoming The Great Australian Food Company.

Our transition to a predominantly brand-led business also saw us increase investment in the foodservice, local trade and other channels. Pleasingly, our International Branded business had a very strong year in Southeast Asia and the Middle East, despite soft demand in China.

Low global dairy commodity prices, disconnected from farm gate milk prices, led to a loss in our Bulk business for FY2024. We implemented programs to reduce costs in Bulk and optimise the agility of this segment to maximise returns from commodities and best support our Branded business with milk and cream.

We have continued a robust investment program with our FY2024 capital investment targeting growth, capabilities, and efficiencies which have helped to partly mitigate manufacturing, logistics and back-office cost inflation.

We thank all our employees, the executive team, the Board, our farmer suppliers, other valued partners, investors, customers, and consumers for their unwavering support and commitment throughout the year.

While FY2024 presented significant challenges and we still have work to do to fully address some of them, we emerge from the year with a portfolio of market-leading brands, high quality bulk commodity assets, improved efficiency across our operations and confidence for the future. We enter FY2025 very much on track to continue the delivery of our strategic plan.

Barry Irvin
Executive Chairman

Peter Findlay
Chief Executive Officer

DRIVING ORGANIC SALES GROWTH WITH TASTY KIDS' NUTRITION

We launched Farmers Union Kids yoghurt pouches in Coles in August 2023 with the goal of providing more nourishment to growing kids. These products now have a 7.4% share of the Coles kids yoghurt segment in under 12 months.¹

Driving sales growth in attractive categories such as yoghurt is vital to our growth ambitions. The Kids pouch format meets the needs of out-of-home consumption and healthier snacking within a compelling segment of the overall yoghurt category. Our knowledge of consumer needs and investment in new-format production lines at Morwell have enabled us to deliver innovation that supports business growth while meeting evolving consumer preferences.

The new Kids Farmers Union yoghurt pouches have been embraced by parents and kids alike. Parents want to give their kids nutritious food but often don't know what's best or how much they need.

Our solution was a range of tasty, nutritious yoghurts with five flavours and two straightforward claims that resonated with parents:

'High in calcium', which is the #1 ingredient sought.

'No added sugar' which is wanted by 45% of parents with children aged 2-12.²

Despite high competition in this segment, these products have rapidly established strong sales, and set the stage for further range expansion. It exemplifies how we innovate across life stages and needs, contribute to people's health through nutrition, and create growth opportunities for us and our retail partners.

1. Circana Scan data, AU Coles Group Scan, Dollars and Value share of Total Kids Yoghurt, QTR 27/07/24.

2. Nature Research Agency. Yoghurt Usage & Attitude Study, Nov 2022.



REALISING CREAM CHEESE OPPORTUNITIES IN GREATER ASIA AND THE MIDDLE EAST

Bega's foodservice cream cheese has experienced significant growth, with exports to 25 countries in Greater Asia and the Middle East increasing volume by 52% over the past five years. These regions have shown sustained demand for premium dairy products, particularly in the bakery and foodservice sectors.

Asia has become a hotbed for innovation in the food industry, with Southeast and North Asian countries leading the way in consumer adoption of new products and trends. Cream cheese has become a staple ingredient in many Asian bakeries, with bakers using it to create unique and innovative products that have gained worldwide popularity.

At Bega, we have positioned ourselves to capitalise on this growth trend by investing in our cream cheese business. Our staged capital investments over the past decade have increased capacity, expanded product formats, and developed new formulations to meet the evolving needs of modern bakeries.

Our cream cheese products have evolved to cater to the demands of busy bakeries, offering time-saving formulations that work straight from the fridge and always taste great with a variety of novel flavours and recipe additions. Our sales revenue has grown an average of 18% per year over the past five years, supported by the continuous building of our applications and market understanding through insights from our distributors, co-development with customers, and chef recipe development.

Our cream cheese, sold under a Bega-owned brand, is available in sizes from 2kg to 500g. We see positive signs of continued market growth and will capitalise on the opportunity through branded innovation, quality, and customer service.



Progressing sustainability for the future

The Greater Good Strategy has been our sustainability approach since 2019 and we are pleased to announce its evolution.

This iteration of the strategy works with our business of today and our ambitions for the future. Its three strategic pillars – circularity, community, and collaboration – focus on our business’s highest material sustainability impacts and our opportunities for business development.

Our Risk and Sustainability Committee oversees this work – reviewing, reporting, and, where appropriate, recommending changes in our sustainability approach to the Board. We will include further details on our new strategy in our FY2024 Sustainability Report.



For generations, we have been in the hearts of every Australian. That is a heritage we are proud of, and it is a legacy that will endure. With abundant natural resources and a thriving agricultural industry, we are aiming for a future that is greater through sustainability. So we can keep nourishing and nurturing not just Australians but Australia, and the world, for generations to come.

Our sustainability ambition

GREAT FOOD FOR A BETTER FUTURE

To achieve our ambition, we will focus on three impact areas:

CIRCULARITY

Leading in circularity through our practices, industry partnerships and effective use, reuse and recycling of our resources.

COMMUNITY

Making a positive and lasting impact by supporting our people, their families and our communities.

COLLABORATION

Working together with our producers, partners and customers to enable sustainable practices, grow domestic economies and deliver great Australian products that people love and trust.

BEGA CIRCULAR VALLEY 2030 INITIATIVE

The 'Bega Circular Valley 2030' program is a transformational regional development initiative with a vision to establish the Bega Valley as the most circular regional economy in Australia by 2030.

The Regional Circularity Co-operative (RCC), a not-for-profit, independent entity, was established by Bega Group in 2021 to drive this transition. With collaboration at its core, the RCC has garnered strong partnerships with the community, businesses, corporations, academia and government, all working together to demonstrate transition pathways through pilots in the Bega Valley and beyond.

The range of projects and partnerships that the RCC is working on and developing is continuously expanding and, amongst others, includes:

- National Centre for Circularity in Bega: design is almost complete for construction of this \$20 million joint NSW Government and Bega Group funded education, tourist information, heritage, hospitality and collaboration centre to showcase circular economy initiatives locally and across the world.
- National Circularity in Fisheries and Aquaculture program: driving circularity in Australia's fishing and aquaculture sectors and harnessing solution providers in partnership with the Fisheries Research and Development Corporation.
- Decarbonisation in grazing sectors – dairy and beef: pilot program baselining and transition pathway analysis of dairy and beef sectors in the Bega Valley, in partnership with NSW Department of Primary Industry.
- Heat exchange and energy optimisation program at factory and farm: partnership with NSW Decarbonisation Hub to monitor and deliver energy efficiency gains in the dairy sector.

- Baselining circularity and opportunity analysis (in development): a one of a kind place-based whole-of-economy program in Australia that will include comprehensive material flow analysis and identification of transition opportunities.
- Other projects in delivery or development include management of plastics and organics in agriculture, sensorisation of the landscape, natural capital and regenerative, resilient agriculture program, net zero energy strategy, biochar investigations, enterprise stacking and more.

For more information on the Bega Circular Valley program, visit begacircularvalley.com.au

Artist rendering of proposed National Circularity Centre design



INVESTING IN 100% RECYCLED PLASTIC

The \$14 million investment in the Wetherill Park blow-moulding facility has enabled us to continue the transition to 100% recycled plastic bottles at that site, reducing virgin plastic use by around 1,800 tonnes per annum.

In 2023, we completed our project to transition our Wetherill Park site capability for blow-moulding our own 100% recycled plastic bottles for Dare Iced Coffee, Big M and Dairy Farmers Classic milk-based beverages under one litre. This milestone is part of an ongoing transition to PET plastics, which, unlike HDPE plastic, can be recycled multiple times using 100% recycled content. Bega has been a leader in the dairy industry in transitioning its single serve iced coffee and flavoured milk bottles to recycled polyethylene terephthalate (rPET) across all states and territories in Australia.

The project is a win for consumers, and not only for environmental reasons. Our rPET bottle is clear, which is great for appetite appeal and shelf stand out, an attribute impossible to get with HDPE.

We partnered with two key bottle suppliers and invested \$14 million to establish in-house production. Our reduced use of virgin plastic derived from fossil fuels is around 1,800 tonnes per annum and contributes to Australia's national targets to increase recycling and incorporate more recycled materials in packaging. The market success of the new packaging also demonstrates to other businesses the benefits of launching rPET and shows how we can reuse plastic in the convenience drinks market.



Directors' Report

Your Directors present the Annual Financial Report of the Bega Cheese Group for the year ended 30 June 2024.





Directors (from left to right)
Barry Irvin, Peter Margin, Patria Mann, Terry O'Brien,
Rick Cross, Raelene Murphy, Harper Kilpatrick

Review of Financial Performance and Operations

Key highlights

Profitability increases in the Branded segment along with reductions in net debt were two particular highlights in FY2024. The Group maintained its leading share position in the yoghurt, milk-based beverages, spreads, and water ice categories. The restructuring announced in June 2023 aligned the organisation to the Group's new five-year strategic plan, delivering the final round of synergies from the Lion Dairy & Drinks acquisition and efficiencies in the corporate functions and the Bulk segment. The organisational realignment focused the business on innovating in its core categories, clarified the resources and tactics to succeed in each sales channel, and eliminated overlap within the business.

Export dairy commodity prices hit a low point in September of 2023, following a substantial drop in the second half of FY2023. Commodity prices were disconnected from Australian farm gate milk prices which were at the second highest level in the past decade. This resulted in the Group's Bulk segment recording a normalised EBITDA loss of \$18.2 million in FY2024 against a normalised EBITDA profit of \$43.1 million in FY2023. The Group focused on agility in its Bulk operations including efficiency programs and, whenever it became available, securing incremental milk to make better use of facilities. Opening milk prices for the FY2025 season are expected to reduce the disconnect between farm gate milk and global dairy commodity prices, and, if this convergence continues, the Bulk segment is projected to return to profitability in FY2025.

In FY2024, the Group acquired the businesses and a range of assets of Betta Milk and Meander Valley Dairy from TasFoods Limited and its subsidiary Van Diemen's Land Dairy Pty Ltd for \$12.4 million. In February 2024, the Group ceased manufacture of its fresh dairy products at the Burnie facility and relocated manufacture to the Group's Lenah Valley site. In FY2024, the Group incurred acquisition related expenses of \$6.9 million and impaired acquired plant and equipment by \$2.8 million.

The Group maintained a focus on cash, improving working capital by \$74.2 million and selling excess land in Canberra. The Group reduced net debt by 20% to \$162.4 million and lowered the leverage ratio to 1.3 times (from 1.6 times in FY2023). The Group maintains a strong balance sheet and is well placed to support future growth opportunities.

Finance and operational overview

The Group generated top line statutory revenue of \$3.5 billion in FY2024, up 4% on FY2023, and statutory EBITDA of \$165.1 million, up 15%. Statutory after-tax profit was \$30.5 million, up \$260.4 million compared to prior year, and statutory earnings per share (EPS) was 10.0 cents in FY2024, up from a loss of 75.6 cents in the prior year. The prior year EPS was impacted by impairment of primary processing bulk assets.

The Group will, as it has in previous years, report on both the statutory result and the normalised result for FY2024 compared to the prior year. This report focuses on the normalised result to demonstrate the underlying financial performance of the Group. The normalising adjustments to the statutory results are in the table on page 30. The non-IFRS financial information contained in this Directors' Report has not been audited in accordance with the Australian Auditing Standards.

The Group generated normalised EBITDA of \$164.1 million in FY2024, up 2% on FY2023, normalised profit after tax of \$29.2 million, up 2% and normalised earnings per share of 9.6 cents, up from 9.4 cents.

The Group FY2024 result was positively impacted by:

- strong category growth and margin expansion across the Branded segment domestically and internationally from volume, mix and price
- achievement of operational cost saving and continuous improvement programs
- the benefit of a significant restructuring program implemented throughout FY2024
- a focus on working capital improvement, particularly on inventory reduction.

The Group result for FY2024 was adversely impacted by:

- intense competition for milk supply and the second highest year of farm gate milk prices in the past decade
- a reduction in global dairy commodity prices and a loss in the Bulk segment
- supply constraints and higher cost of oranges and peanuts.

The Group maintains a strong balance sheet, reducing net debt to \$162.4 million (FY2023: \$203.6 million) and leverage ratio down to 1.3 times (FY2023: 1.6 times), well within covenant limits, positioning the Group well to fund investments in growth and future commitments.

The Group received 1.33 billion litres of milk during FY2024 (excluding milk received for some tolling arrangements), almost flat on the 1.34 billion litres received in FY2023. The Group is pleased that the national milk pool stabilised in FY2024. This was in response to price and favourable weather conditions. The Group acknowledges the loyalty of its milk suppliers and welcomes new suppliers.

Strategic priorities

In FY2024 the Group progressed strongly in the first year of its five-year strategy, S28. During the year the Group updated and refined its strategic priorities under the following pillars:

- Protect and grow the core
- Win on the street
- International opportunity
- Streamlined sites
- Secure solids
- Sustainability.

The strategic priorities are underpinned by the foundation of 'Organisational enablement' and will be achieved by continuing to build the culture and capabilities of a sustainable and high performing organisation.

Protect and grow the core

During FY2024, well over 80% of the Group's external net revenue came from Branded sales. The Group's new strategy focuses on allocating resources to the most advantaged product categories. For the Group, the categories of yoghurt, milk-based beverages, and spreads are currently the core focus categories and as such they benefit from the greatest level of innovation and support. The Group leveraged its unrivalled capability in pouch yoghurt, as well as launching yoghurts and milk-based beverages with functional benefits such as lactose-free, no-sugar-added, and high protein while ensuring that both financial and organisational resources are available to make these innovations successful. The iconic Vegemite brand recently celebrated its 100th anniversary – a shining example of how a well-supported brand can excel for generations.

Win on the street

The Group has a substantial opportunity to improve its trading and share in foodservice, petrol and convenience, independent grocery, quick service restaurants and institutional channels. While the challenging consumer environment is impacting out-of-home consumption in restaurants and cafes in the short term, Australians are still amongst the largest *per capita* consumers of food in restaurants and cafes. During FY2024, the Group refreshed its entire foodservice lineup and is investing greater financial and organisational resources in winning in this channel. The Group also has one of the largest cold chain distribution networks in the country, and for FY2025 and beyond, the focus will be on leveraging this competitive advantage to succeed in these important sales channels.

International opportunity

The markets of Asia and the Middle East represent a significant growth opportunity and are important to the international pillar of the Group's strategic plan. In FY2024, the Group grew its branded international sales and posted record-setting profitability in international branded markets. The cheese, cream cheese and yoghurt categories made up the most compelling growth categories for the international business in FY2024. The Group is building capabilities in its in-market distributor management, and during FY2024 began to streamline its branding in overseas markets to enable successful product extensions in the future.

Streamlined sites

Maintaining a network of high-quality and efficient manufacturing sites which can produce the Group's brands to serve customers and consumers is a vital part of the strategic plan. The Group followed its consolidation efforts in FY2023 by selling the Canberra site in 1H FY2024, with the volume from this site now successfully produced in Penrith, NSW. In FY2024, the Group consolidated its Tasmanian production (including the newly acquired Betta Milk brand) into its Lenah Valley site, resulting in greater network efficiency. More importantly, the Supply Chain teams improved the efficiencies and shift structures within numerous sites to deliver the Group's high-quality products while mitigating some of the impact of inflation.

Secure solids

Dairy solids are the proteins, vitamins, fats, and other compounds which form the nutritional basis of each litre of milk. The Group secures most of its milk solids directly from farmers, and these relationships remain the cornerstone of the Group's dairy business. The Group also secures additional solids from third parties, such as cream and cheese from both domestic and international sources. Maintaining the right balance between the Group's direct farm sourcing and the sourcing of dairy solids from other domestic and international partners is a key focus of the Group's new five-year strategy, and ensures the right availability and product portfolio to meet consumer needs.

Sustainability

The Group's approach to sustainability has, to date, been underpinned by the Greater Good Strategy, developed in 2019. The Greater Good Strategy is structured around three key areas of impact: products, people, and communities and planet. While the strategy has served the business well to date, a refreshed strategy has been developed during FY2024 and will be activated in FY2025. This new iteration of the strategy works with the business of today and the ambitions of the Group for the future. The focus will be on the most material sustainability impacts structured around three pillars: circularity, community, and collaboration. The Group will include further details on the new strategy and commitments in the FY2024 Sustainability Report.

Significant events

Acquisition of Betta Milk and Meander Valley Dairy

On 28 August 2023, the Group announced that it had entered into a binding agreement to acquire the businesses and certain assets of Betta Milk and Meander Valley Dairy from TasFoods Limited and its subsidiary Van Diemen's Land Dairy Pty Ltd. The acquisition also included an exclusive royalty-free licence to use the Pyengana Dairy brand for milk and cream products in Australia. The total purchase price was \$12.4 million.

The Group completed the acquisition on 1 December 2023. Acquisition-related costs of \$6.9 million are included in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2024. Refer to note 26 for further details.

After the acquisition, the Group ceased manufacture of its fresh dairy products at its Burnie and Kings Meadow facilities in Tasmania and relocated manufacturing to the Group's Lenah Valley site. It made the decision to do this following a review of its fresh milk manufacturing operations across Tasmania. Following this decision, an impairment of plant and equipment of \$2.8 million was recognised as an expense during the year.

Canberra property sale and leaseback

In FY2023, the Group ceased the manufacture of fresh milk product at its Griffith facility in Canberra and relocated manufacturing to the Group's Penrith site. The Griffith site comprises five adjacent blocks of land, operating as a combined manufacturing site and logistics hub.

In November 2023, the Group sold all five blocks of land at the Griffith site for \$25.3 million. The Group leased back Block 5 of the site for use as a logistics hub. The pre-tax profit recognised on sale of the property was \$15.4 million and was partially offset by \$2.2 million of related exit costs for the year ended 30 June 2024.

Review of Financial Performance and Operations

Restructuring implementation

During FY2024 the Group commenced implementation of the restructuring program, initially announced in FY2023, with the new structure taking effect from October 2023. The aim of the restructure was to increase organisational alignment to the five-year strategy by creating teams with the broader focus of delivering results for the Group as one integrated business. The reorganisation program simplified operations and decision-making by consolidating business unit and Group function team structures. The Group is committed to ongoing organisational alignment initiatives and technology-led projects to ensure that corporate decision-making processes and structures continue to be streamlined. Restructuring costs of \$5.3 million from the continuation of the Group's announced restructuring program were recognised during FY2024 and the last minor remaining changes relating to the restructuring program will occur during FY2025.

Effective tax rate

The Group's effective company tax rate is calculated as income tax expense divided by profit before tax. Income tax expense captures taxes on profits and excludes other types of taxes for example GST, FBT, payroll tax and PAYG tax paid on behalf of employees. The effective company tax rate will differ from the statutory company tax rate of 30 per cent due to non-temporary differences. The *prima facie* effective tax rate of the Group is 23.4% which is largely attributable to the favourable impact of finalising the Group's formation of a tax consolidated group and the permanent benefit in respect of research and development tax incentive.

Safety

A healthy and safe workplace is of fundamental importance and the Group recognises that its current Total Reportable Injury Frequency Rate (TRIFR) needs to improve. The Group has focused on hazard identification to drive improvement in its safety performance and has continued the safety behavioural leadership program supported by DuPont Sustainable Solutions. A safety perception survey was completed across the Group in November 2023, facilitated through DuPont Sustainable Solutions to benchmark progress on the Group's safety culture transformation.

The Group is committed to ensuring a healthy and safe work environment for employees, contractors, and visitors to its operations. The Group's safety culture encompasses the employees' beliefs and values with respect to safety and this helps effectively manage any safety risks present in activities. The safety principles, launched in 2022, guide the Group safety culture.

Environmental regulatory compliance

The Group's manufacturing sites are subject to many Federal and State Environment Protection Regulations. The Group is also subject to various licensing requirements. These licences stipulate performance requirements as well as the specific monitoring of emissions such as noise, air, odour, and wastewater.

In FY2024, the Group reported compliance activities to environmental regulators and water authorities with no financial penalties for non-compliance reported. Most notifications have been successfully resolved with the appropriate regulator, with the following specifically reported:

- An advisory letter was issued to the Penrith site regarding odour. Actions presented to the regulator have been fully implemented.
- Two events of exceeding solid particle limits at the Lagoon Street site were reported to the EPA. Corrective actions have been implemented.
- Eight wastewater breaches were reported against waste trade agreements: five at the Penrith site, New South Wales, two at the Lenah Valley site, Tasmania and one at the Morwell site, Victoria. No fines were issued in respect of these breaches.
- A transitional environmental program is open, and actions being progressed for the Tolga site regarding dust management and reduction.

The Group resolved all remaining informal and formal complaints received in relation to environmental issues and no further action was required of the Group by respective regulators.

In addition, during FY2024, the Group complied with all statutory environmental reporting requirements and continues to monitor and report energy consumption and greenhouse gas emissions to the relevant authorities.

Sustainability program

Outlined below are the key deliverables in FY2024 from the Group's sustainability program. The 2024 Sustainability Report, the Corporate Governance Statement, the Bega Respect Statement and the Modern Slavery Statement will provide further details. These documents are published on the Group's website.

Governance

During FY2024 the newly formed Risk and Sustainability Committee endorsed a refreshed materiality assessment. The materiality assessment is consistent with global standards, to determine the Group's key risks, opportunities, impacts and priorities in sustainability. The assessment included direct engagement with internal and external stakeholders. The application of the materiality principle helps focus reporting and disclosure and also informs priorities for sustainability strategy development.

Energy management

The Group is committed to advancing projects and initiatives to achieve its emission reduction targets. The Energy Management Capability (EMC) program, now in its fifth year, has resulted in significant energy mapping and the identification of opportunities at the Group's manufacturing sites.

Packaging

The Bega Group Packaging Sustainability Policy which supports Australia's 2025 National Packaging Targets guides the Group's approach to reducing the impact of packaging. FY2024 saw a national roll-out of recycled plastic in bottles of less than one litre for Dare Iced Coffee, Big M and Dairy Farmers Classic milk-based beverages. The Group worked with a range of supplier partners and invested \$14 million to establish in-house production of the bottles, reducing transport costs.

Ethical sourcing

The Group seeks to build trust and meet customer and consumer expectations by ethically sourcing raw materials. The Bega Supplier Responsible Sourcing Code provides details of the minimum standards expected of suppliers. All new vendors on-boarded in FY2024 were risk assessed against the Code. Of these, 10% were identified as high-risk and were subsequently registered with globally recognised human rights data exchange databases. There were no business-critical non-conformances arising from audits of high-risk suppliers this year.

Nutrition

The Group takes its role in promoting sustainable behaviours and diets among consumers seriously by offering healthy food and beverages that it produces responsibly. FY2024 saw the launch of lactose-free options across white milk and flavoured milk, including Pura, Dairy Farmers, Dairy Farmers Classic, Dare and Big M. In April, the Group launched Dare Oat Milk, in mocha and double espresso flavours, broadening the Dare range even further. The Group's product range continues to be recognised by Australia's Healthy Food Guide Awards, receiving 13 awards in the past year in categories including plant-based, heart health, diabetes-friendly and lunchbox awards.

Employee health and wellbeing

This year, the Group launched the Bega Respect Statement (the Statement). The Statement provides a succinct guide, clearly articulating expectations for behaviour. The Statement responds to amendments to Australia's anti-discrimination and human rights legislation, placing a duty on employers to take reasonable and proportionate measures to eliminate discrimination, harassment, and victimisation. The Group developed the Statement through a collaborative process involving team members from across the company. The Group reports annually to the Workplace Gender Equality Agency (WGEA) against the standardised gender equality indicators, in accordance with requirements under the *Workplace Gender Equality Act 2012* (Cth). The Group is a signatory to the HESTA 40:40 Vision, an investor-led initiative to achieve gender balance in executive leadership across all ASX300 companies by 2030. The Group has committed to reach the 40:40 Vision target of 40% women on the Executive Leadership Team and Board: 20% by 2024, 30% by 2027, and 40% by 2030.

Supporting farmer suppliers

To June 2024, the Group has invested \$3.3 million in grant support across all milk supply regions, including funding of projects in best practice adoption for animal welfare, effluent management, and irrigation and water management improvement. This year, 114 on-farm capital works projects were completed. Most of the projects this year were linked to best practice in animal welfare, effluent management and work health and safety. Emissions reduction is one of the priority areas the Group is focusing on to support suppliers to transition to a circular economy. The Group has made a specific commitment in the updated Sustainability Strategy to support and collaborate with suppliers to measure and mitigate scope 3 emissions. The Group implemented an on-farm data collection trial late in the year with a number of suppliers from each region. This data provides the Group with emission intensity and total emission information, along with key data to help suppliers reduce emissions and improve broader circularity.

Modern slavery prevention

The Group issues its Modern Slavery Statement annually in December, in compliance with section 13 of the *Modern Slavery Act 2018* (Cth) and section 24 of the *Modern Slavery Act 2018* (NSW). During FY2024 the Modern Slavery Working Group, consisting of a cross-functional group of executives, met monthly to oversee the delivery of the Group's Modern Slavery Action Plan and to assess current and emerging risks within the Group's supply chain. This year the working group has focused on the development of the Group's Modern Slavery Remediation Process.

Climate-related financial disclosures

The Group is preparing for climate-related reporting which is likely to be mandatory in Australia in coming years. Based on global standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, the developing Australian standards may apply to the Group's reporting from FY2026. The Australian Sustainability Reporting Standards (ASRS) are expected to adopt the same structure as the global standards, which are based on four pillars: governance, strategy, risk management and metrics and targets.

This year, the Group finalised a gap assessment against the requirements and obligations of the draft Australian standards: ASRS 1 General Requirements for Disclosure of Climate-related Financial Information, ASRS 2 Climate-related Financial Disclosures and ASRS 101 References in Australian Sustainability Reporting Standards. As a result, it has developed a roadmap, building on the work to date, and closing gaps to enable compliance and continuous improvement in climate-related financial disclosure.

The Group has been publicly reporting on scope 1 and 2 greenhouse gas emissions since FY2015 and set targets for reduction of scope 1 and 2 emissions in FY2021. Scope 3 emissions were first estimated and reported in FY2022, and work has continued to improve the accuracy and integrity of this data and how emissions may be reduced. The Group reviewed its approach to managing the effects of climate change and its impact through the existing risk framework introduced in FY2022 and included climate change as a key strategic risk in the Review of Financial Performance and Operations in the FY2023 Annual Report.

Review of Financial Performance and Operations

Dividends paid in FY2024

On 24 August 2023 the Group declared a final FY2023 fully franked dividend of 3.0 cents per share, representing a distribution of \$9.1 million. The Directors activated the Group's Dividend Reinvestment Plan (DRP) for this dividend. The DRP 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 21 September 2023 and raised \$0.8 million in new share capital.

On 22 February 2024 the Group declared an interim fully franked dividend of 4.0 cents per share, representing a distribution of \$12.2 million. The Directors activated the Group's DRP for this dividend. Shares purchased under the DRP were allotted on 4 April 2024 and raised \$1.1 million in new share capital.

On 29 August 2024 the Group declared a final fully franked dividend of 4.0 cents per share representing a distribution of \$12.2 million, an increase of \$3.1 million compared to the 2023 final dividend. The DRP will also be available for this dividend.

Dividends paid to shareholders in relation to the FY2024 year will total \$24.4 million which represents a \$1.6 million increase from the dividends paid in respect of FY2023 which totalled \$22.8 million.

Reconciliation of statutory and normalised performance

As in previous years, the Group reports on both the statutory result and the normalised result for FY2024 compared to the prior year. Commentary in this report focuses on the normalised result.

Group statutory result FY2024

On a statutory reporting basis, the Group generated:

\$ million	FY2024	FY2023
EBITDA	165.1	144.1
EBIT	74.3	(233.7)
PBT	39.8	(256.8)
PAT	30.5	(229.9)
EPS	10.0 cents	(75.6) cents

Group normalised result FY2024

The statutory result for the Group in each of FY2024 and FY2023 included several one-off items. While these items all had a financial impact on the statutory performance, they did not affect the underlying financial performance of the Group.

To provide a more meaningful understanding of the underlying financial performance, normalising adjustments to the statutory financial statements for each of these items were made. These are set out in more detail in the table on page 30. On a normalised basis the Group generated:

\$ million	FY2024	FY2023
EBITDA	164.1	160.2
EBIT	76.1	58.3
PBT	41.6	35.2
PAT	29.2	28.5
EPS	9.6 cents	9.4 cents

Normalising adjustments in FY2024 consist of the following:

- Profit before tax of \$13.2 million generated from the sale of property in Canberra partially offset by exit costs.
- Betta Milk and Meander Valley Dairy acquisition and integration costs of \$6.9 million and impairment of plant and equipment of \$2.8 million following closure of the Burnie processing site.
- Restructuring costs of \$5.3 million from the continuation of the Group's restructuring program announced in FY2023.
- One-time income tax costs of \$3.3 million which primarily relate to Bega Group finalising the formation of a tax consolidated group, which required resetting the tax cost bases of revenue and capital assets. The effective income tax rate is 29.8% on a normalised basis.

Review of Financial Performance and Operations

The table below demonstrates the movement between the financial performance for statutory reporting purposes and the normalised financial performance for the Group. These adjustments have not been subject to specific audit procedures.

Consolidated	Per Financial statements \$m	Canberra sale \$m	Restructuring \$m	Betta Milk acquisition \$m	Tax adjustments \$m	Normalised outcome \$m
Period ended 30 June 2024						
Revenue	3,521.6	-	-	-	-	3,521.6
Cost of sales	(2,823.1)	-	-	-	-	(2,823.1)
Gross profit	698.5	-	-	-	-	698.5
EBITDA	165.1	(13.2)	5.3	6.9	-	164.1
Depreciation, amortisation and impairment	(90.8)	-	-	2.8	-	(88.0)
EBIT	74.3	(13.2)	5.3	9.7	-	76.1
Net finance costs	(34.5)	-	-	-	-	(34.5)
Profit/(loss) before income tax	39.8	(13.2)	5.3	9.7	-	41.6
Income tax (expense)/benefit	(9.3)	3.9	(1.6)	(2.1)	(3.3)	(12.4)
Profit/(loss) for the year	30.5	(9.3)	3.7	7.6	(3.3)	29.2
Gross margin – percentage	19.8%					19.8%
Basic earnings per share – cents	10.0					9.6

Consolidated	Per Financial statements \$m	Vegemite Way \$m	Impairment \$m	Restructuring \$m	Other costs \$m	Tax consolidation \$m	Normalised outcome \$m
Period ended 30 June 2023							
Revenue	3,376.0	-	-	-	-	-	3,376.0
Cost of sales	(2,719.6)	-	-	-	-	-	(2,719.6)
Gross profit	656.4	-	-	-	-	-	656.4
EBITDA	144.1	(16.2)	-	26.3	4.8	1.2	160.2
Depreciation, amortisation and impairment	(377.8)	-	275.9	-	-	-	(101.9)
EBIT	(233.7)	(16.2)	275.9	26.3	4.8	1.2	58.3
Net finance costs	(23.1)	-	-	-	-	-	(23.1)
Profit/(loss) before income tax	(256.8)	(16.2)	275.9	26.3	4.8	1.2	35.2
Income tax (expense)/benefit	26.9	2.0	(45.9)	(7.9)	(1.4)	19.6	(6.7)
Profit/(loss) for the year	(229.9)	(14.2)	230.0	18.4	3.4	20.8	28.5
Gross margin – percentage	19.4%						19.4%
Basic earnings per share – cents	(75.6)						9.4

Review of Financial Performance and Operations

Cash flow, net debt and Group capital management

Cash flows

The Group generated the following cash flows in FY2024:

\$ million	FY2024	FY2023
Operating activities	134.3	8.2
Investing activities	(52.3)	99.9
Financing activities	(82.8)	(86.6)

Key operating activities generating cash flow in FY2024 were:

- net profit after tax of \$99.0 million after adjusting back non-cash items of impairment, depreciation, amortisation, profit on sale of non-current assets
- lower working capital of \$74.2 million, mostly from a lower quantity of Bulk inventory on hand. Both payables and receivables increased in FY2024 mainly due to timing of activity and price and cost increases
- additional taxation payments of \$16.5 million including the formation of the tax consolidation of the Group and payments of \$16.2 million against provisions.

Key investing activities generating cash flow in FY2024 were:

- receipt of \$27.9 million largely from the sale of property in Canberra
- payments totalling \$74.6 million for capital investment including software
- payments of \$12.4 million for the Betta Milk and Meander Valley Dairy asset acquisition.

Key financing activities generating cash flow in FY2024 were:

- decrease in net borrowings of \$42.0 million
- principal elements of lease payments of \$21.4 million
- dividend payments of \$19.4 million.

Net debt at year end

The Group had consolidated net debt of \$162.4 million as at 30 June 2024, compared to \$203.6 million as at 30 June 2023, a reduction of \$41.2 million. The reduction in net debt arose from the cash inflow of \$74.2 million from improvements in working capital. This was partially offset by dividend payments of \$19.4 million, and principal lease payments of \$21.4 million.

Balance sheet capital management

The Group's Syndicated Debt Facility was transitioned to Common Terms Deed Debt Facilities in June. The Common Terms Deed Debt Facilities established two aggregate facilities: Facility 1 which has an aggregate limit of \$270 million maturing in July 2027 and Facility 2 which has an aggregate limit of \$180 million maturing in February 2027. In June, the Group extended and expanded its Rabobank Trade Receivables Facility, which now expires on 31 August 2025.

The Group continues to receive strong support from its bankers and has the following facilities:

- the Common Terms Deed Debt Facilities funded by six banks with Westpac acting as the agent
- an Inventory Facility and Trade Receivables Facilities provided by Rabobank, and
- other guarantee facilities provided by Westpac.

The Group reduced its normalised EBITDA to net debt leverage ratio to 1.3 times in FY2024 (1.6 times in FY2023) and is well within the year end bank covenant limit of 3.5 times. The Group expects its leverage ratio to continue within covenant requirements throughout FY2025 and is well placed to meet future covenant obligations.

Capital investment

The Group invested capital of \$74.6 million during FY2024 (FY2023: \$68.1 million). The Group's FY2024 capital works program centred on:

- implementing a new digital ordering platform to enhance customer experience and improve the efficiency of processing customers payments and claims
- establishing a single order to cash process across the Group, leveraging the cold chain network optimising the cost to serve
- automation of warehouse capability at the Laverton national distribution centre
- improving safety and infrastructure across multiple sites.

Risk management

The Group's senior management team is responsible for an effective and integrated risk management framework to ensure both strategic and operational risks are continuously identified, assessed, and treated in a timely and appropriate manner.

In FY2024, the Group established the Risk and Sustainability Committee (RSC), a new Board-level committee tasked with oversight of the governance of both corporate risk and sustainability. The role of the RSC is to work in conjunction with the Board on assessing and setting the Group's risk appetite and provide senior management with decision-making guidelines to support the agreed profile. The RSC is responsible for overseeing and assessing the efficacy of the Group's risk management policy, processes and procedures, and regularly reviews and updates the risk appetite statement for approval by the Board.

The changing nature of the risk environment is reflected in the Group's risk appetite statement which the Board reviews and updates regularly. During FY2024, the Board adjusted the appetite ratings of two risks in response to internal or external factors. Additionally, in FY2024 the RSC and Board have requested additional industry-relevant risks be elevated, requiring quarterly management reporting. In FY2024, the Group also implemented additional risk management initiatives including additional detailed reports and increased frequency of risk management reporting.

The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the effectiveness and efficiency of these systems and processes.

Key strategic risks include:		
Source of risk	Risk overview	Mitigation strategies
Geopolitical tensions	Significant country and regional upheavals impacting normal lines of business	- Continue to focus on building diversified revenue streams - International supply chain resilience including multi-supplier arrangements for key raw materials - Supply chain reviews for capital item purchasing
Product and consumer trends	Unable to forecast significant shifts away from profitable product categories that materially impact returns to the business	- Further investment in consumer insights teams, research and trend analysis - Active product innovation team - Align capital investment plan to support attractive categories
Competitors	New domestic market entrants change the competitive landscape	- Investment in key brands, brand growth, and brand extension plans - Maintain strong customer and supplier relationships
Milk pool and milk returns	Milk volumes continue to decline in Australia increasing the relative price of milk and reducing ability to grow profitably	- Emphasis on maintaining strong farmer relationships and delivering a competitive farm gate milk price - More geographically diverse spread of site assets - Focus on higher returning dairy categories, solids returns and portfolio mix
Climate change	Failure to understand, prepare for, or respond to, climate-related financial impacts including climate-related financial disclosures	- Strong relationships with industry bodies, regulators and suppliers - Understand long-term scenario impacts of global warming on key assets and address long-term capital and investment plans
Biosecurity	Biosecurity hazards have a material and immediate impact on the Group's access to key international markets and may limit the supply of agricultural inputs and long-term viability of producers and processors	- Relationships with federal and state government and trade industry bodies - Review in-market supply, production and distribution options to maintain continuity of supply and sales globally
Technology and cyber security	Technology becomes aged and is not maintained and upgraded on a regular basis and is no longer able to support the business adequately Security of technology platforms across the business is breached	- Maintain conformance to the ISO 27001 Information Security Management System (ISMS) standard - Maintain alignment to NIST CSF (Cyber Security Framework) - Continue regular organisation-wide awareness and training programs - Enterprise-wide backup and system recovery solution
People retention	Failure to attract and retain top talent that gives the Group a competitive advantage	- Development plans in place for top talent across the Group - Remuneration reviews, benchmarking and performance recognition - Regular reviews and recommendations for improvement for regretful exits and unsuccessful contract offers

Review of Financial Performance and Operations

Key operational risks include:		
Source of risk	Risk overview	Mitigation strategies
Business continuity	Robust business continuity plans for all sites and essential centralised services are not in place and the business is unable to respond to an event	- Identify 'high risk sites' and implement upgraded business continuity plans referencing production and supply chain alternatives in the event of a disruption - Regular testing of response plans, product recall processes and production diversion processes
Safety	Operations fail to protect employees from physical and or psychosocial harm	- Executive level performance measures include safety performance - Comprehensive safety management systems inclusive of incident management - Capital approval process that prioritises safety investment
Food safety	Unsafe products are produced and leave Bega facilities causing harm to the public and significant reputational damage	- Mature quality management system that is compliant to international standards - Frequent external reviews of premises by external parties across a number of accreditations - Continue to integrate quality reviews, approvals and testing protocols into the product release process
Environmental compliance	Operations fail to meet environmental compliance obligations	- Energy Management Capability Program - Continuous site reviews and audit schedule
Sustainability	Failure to deliver on commitments made and communicate effectively with internal and external stakeholders on sustainability	- Undertake comprehensive materiality assessments and review target areas - Develop, launch and activate the Bega Sustainability Strategy - Engage and communicate with stakeholders on sustainability commitments
Wage underpayment	Underpaying staff in relation to legal obligations incurring significant fines and reputational damage	- Continue to assess areas of high risk - Implement rolling EBA compliance reviews covering the waged workforce

Outlook

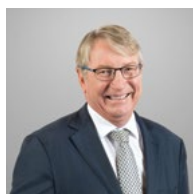
The increase in profitability of the Branded segment has been important to the Group in FY2024. The Group's market-leading brands participated in growth categories with the Branded segment having recovered its EBITDA margins in FY2024 with factors such as favourable category mix, value creation programs and pricing to offset cost inflation all playing a role.

The relocation of manufacturing from Burnie to Lenah Valley and continuation of the restructuring program announced in FY2023 will improve the efficiency and effectiveness of the Branded segment and corporate functions, and mitigate overhead cost inflation. Continuation of Branded innovation and investment behind market-leading brands in key growth categories, coupled with International expansion is expected to deliver solid growth in FY2025 and across the strategic horizon.

The Group experienced a significant challenge in the Bulk segment in FY2024 as the disconnect between farm gate milk prices and a rapid and sustained fall in dairy commodity prices in late FY2023 continued and led to a loss in the Bulk segment. Looking forward, the disconnect between farm gate milk prices and global dairy commodity prices has eased, and returns in the Bulk segment are expected to significantly improve in FY2025.

The Group remains focused on cash generation and maintaining balance sheet strength to enable it to unlock the growth expected across the strategic horizon. The Group has considered these matters leading into FY2025 and factored them into the Group's outlook and guidance.

Directors Report



Barry Irvin – AM

Executive
Chairman Bega
Cheese Limited

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 one of the largest dairy and food companies 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 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.

Other BGA Committees:

- Nil

Other Directorships:

- Chairman of Giant Steps Australia Limited
- Chairman of the Regional Circularity Co-operative Limited

Former ASX listed Directorships in the last 3 years:

- Nil



Peter Margin
BSc(Hons), MBA

Independent
Director since
September 2020
and Deputy
Chairman

Peter has many years of leadership experience in major Australian and International food companies, including Executive Chairman of Asahi Holdings (Australia) Pty Ltd, Chief Executive of Goodman Fielder Ltd and before that Chief Executive and Chief Operating Officer of National Foods Ltd.

Other BGA Committees:

- Chair of the Risk and Sustainability Committee

Other Directorships:

- Non-executive Director of Endeavour Group
- Chairman at Golf Australia

Former ASX listed Directorships in the last 3 years:

- Non-executive Director of Costa Group Holdings (ASX:CGC)
- Non-executive Director of Nufarm Ltd (ASX:NUF)



Raelene Murphy
BBus, FCA, GAICD

Independent
Director since
June 2015

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 and a Member of Chief Executive Women.

Other BGA Committees:

- Chair of the Audit Committee
- Member of the Nomination, Remuneration, People & Capability Committee
- Member of the Risk & Sustainability Committee

Other Directorships:

- Non-executive Director of Elders Limited (ASX:ELD)
- Non-executive Director of Integral Diagnostics Limited (ASX:IDX)
- Non-executive Director of Tabcorp Holdings Limited (ASX:TAH)

Former ASX listed Directorships in the last 3 years:

- Non-executive Director of Altium Limited (ASX:ALU)



Terry O'Brien
FCPA, FAICD

Independent
Director since
September 2017

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. After his retirement in early 2017, Terry took up a number of Australian Company Board positions, recently reducing these to two.

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 30 years.

Other BGA Committees:

- Chair of the Nomination, Remuneration, People & Capability Committee
- Member of the Audit Committee

Other Directorships:

- Chairman of Bundaberg Brewed Drinks Pty Limited

Former ASX listed Directorships in the last 3 years:

- Chairman of Clean Seas Seafood Limited (ASX:CSS)



Rick Cross
BAgrSc (Hons),
GAICD

Independent
Director since
December 2023

Rick was appointed to the Board following the merger of Bega Cheese Limited and Tatura Milk Industries Pty Ltd.

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

Rick has represented dairy farmers in many various industry roles, and was formerly the Chair of Murray Dairy.

Rick has been a Supplier Director of the Group since December 2011. He ceased being a supplier of milk to the Group on 23 December 2023 and therefore has become an Independent Director of the Group from this date.

Other BGA Committees:

- Chair of the Milk Services Committee
- Member of the Nomination, Remuneration, People & Capability Committee

Other Directorships:

- Nil

Former ASX listed Directorships in the last 3 years:

- Nil



Patria Mann
BEc, FAICD

Independent
Director since
September 2019

Appointed in September 2019, Patria is an experienced Independent Director with over 20 years Board experience across various sectors and geographies. She has significant insight and understanding of market development, business transformation, including digital and technological change and M&A and financial transactions. She also brings strong ASX, audit, risk management and governance experience.

Patria qualified as a Chartered Accountant and was a Partner at KPMG. She is a Fellow of the Australian Institute of Company Directors.

Other BGA Committees:

- Member of the Audit Committee
- Member of the Risk and Sustainability Committee

Other Directorships:

- Non-executive Director of GWA Limited (ASX:GWA)
- Non-executive Director of GDI Property Group Limited (ASX:GDI)

Former ASX listed Directorships in the last 3 years:

- Non-executive Director of EVT Limited (ASX:EVT)
- Non-executive Director of Ridley Corporation Limited (ASX:RIC)



Harper Kilpatrick
BSc(Agri), MBA,
FCA, GAICD

Director since
April 2021

Originally from Northern Ireland, Harper and his wife own and actively manage a dairy farm near Koroit in Western Victoria. Harper's career has centred around agriculture and agribusiness. His career in agribusiness included several senior executive roles with Glenfarm Holdings rendering business in the UK, and Deputy CFO / Head of Finance with Almarai Co., the market leading GCC food and beverage company based in Riyadh, Kingdom of Saudi Arabia. Harper has held several Australian dairy industry positions including three years as a non-executive director of West Vic Dairy Inc., 18 months as a non-executive director of Murray Goulburn Co-operative Limited and seven years as a non-executive Finance Director of the Australian Dairy Conference Pty. Ltd.

Other BGA Committees:

- Member of the Audit Committee
- Member of the Risk and Sustainability Committee
- Member of the Milk Services Committee

Other Directorships:

- Nil

Former ASX listed Directorships in the last 3 years:

- Nil

Directors' Report

Principal activities

The principal activity of the 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 2024 are set out in the Chairman and Chief Executive Officer's Report and the Review of Financial Performance and Operations which are to be read in conjunction with this Directors' Report.

Dividends

	2024 \$m	2023 \$m
Interim ordinary dividend for the year ended 30 June 2024 of 4.0 cents	12.2	-
Final ordinary dividend for the year ended 30 June 2023 of 3.0 cents	9.1	-
Interim ordinary dividend for the year ended 30 June 2023 of 4.5 cents	-	13.7
Final ordinary dividend for the year ended 30 June 2022 of 5.5 cents	-	16.7

In addition to the above dividends, since the end of the financial year the directors of the Group (Directors) have recommended payment of a final ordinary dividend of \$12.2 million (4.0 cents per fully paid share) to be paid on 3 October 2024.

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 those disclosed in the Chairman and Chief Executive Officer's Report and the Review of Financial Performance and Operations there have been no significant changes in the state of affairs of the Group since the last annual report.

Indemnification and insurance premiums for officers

During the financial year, the 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 the Group and places an obligation on the 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 Group has also agreed to indemnify the Company Secretary and certain senior executives for all liabilities to another person (other than the Group 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 Group will meet the full amount of any such liabilities, including costs and expenses.

Company Secretary

The Company Secretary registered with the ASX is Brett Kelly FCA, GAICD. Brett was appointed to the position of Company Secretary in 2002. Brett holds a Bachelor of Commerce in Accounting and is a Chartered Accountant with 39 years' experience. He has also been a graduate member of the Australian Institute of Company Directors since 2006. Brett completed the Certificate in Governance and Risk Management with the Governance Institute of Australia in December 2011.

Meetings of Directors and Board Committees

Meetings of the Audit Committee

	Held and eligible	Attended
Raelene Murphy	5	5
Patria Mann	5	5
Terry O'Brien	5	5
Harper Kilpatrick	5	5

Meetings of the Nomination, Remuneration, People & Capability Committee

	Held and eligible	Attended
Terry O'Brien	4	4
Rick Cross	4	4
Raelene Murphy	4	4

Meetings of the Milk Services Committee

	Held and eligible	Attended
Rick Cross	4	4
Harper Kilpatrick ⁽¹⁾	3	3

Meetings of the Risk and Sustainability Committee

	Held and eligible	Attended
Peter Margin	4	4
Raelene Murphy	4	4
Harper Kilpatrick	4	4
Patria Mann ⁽²⁾	3	3

Meetings of the Board of Directors

	Held and eligible	Attended
Barry Irvin	11	11
Rick Cross	11	11
Patria Mann	11	11
Raelene Murphy	11	11
Terry O'Brien	11	11
Peter Margin	11	11
Harper Kilpatrick	11	11

(1) The Board resolved to appoint Harper Kilpatrick as a member of the Milk Services Committee, effective 1 December 2023.

(2) The Board resolved to appoint Patria Mann as a member of the Risk and Sustainability Committee, effective 1 December 2023.

Directors' Report

Remuneration report (audited)

Letter from the Nomination, Remuneration, People & Capability Committee (NRPCC) Chair

Dear Shareholders,

On behalf of the Board of Bega Cheese Limited (or the Group), I am pleased to present you with our FY2024 Remuneration Report. At Bega Group, we remain committed to ensuring that we have remuneration structures in place which supports our vision and purpose ("Great Food, Great People, Great Aspirations and Greater Good") and that our reward outcomes align with sustainable long-term value creation in the interests of our shareholders and other stakeholders.

FY2024 Performance & strategy highlights

FY2024 delivered growth in the Branded segment, with continued leading share position in key categories driven by innovation and focused investment. Price increases were taken in our Branded business to reflect the inflationary environment and offset some of the challenges faced by the Group in FY2024. The strategic decisions of recent years, to transform into a predominantly branded business, played a pivotal role in FY2024 allowing the Group to meet the Short Term Incentive (STI) payment gateway threshold. A portfolio of market-leading brands and a strong balance sheet, positions the business well for future growth.

FY2024 Remuneration and People & Capability highlights

We were proud to have become a signatory in FY2023 to HESTA's 40:40 Vision to achieve gender balance in executive leadership by 2030, and have this year made the same commitment to membership of the Board. This is an initiative led by members of Australia's investor and business community across all ASX300 companies. Signing up to this initiative demonstrates our long-term commitment to workplace gender equality and demonstrates our values of Support Each Other and Grow Our People.

Linking remuneration outcomes with Group performance

Having regard to the Group performance:

- The FY2024 STI Plan opened for payment for the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer. These outcomes are as a result of the Group EBITDA metrics meeting the payment gateway threshold, free cash flow metrics being achieved, safety metrics not being achieved, together with the individually assessed partial achievement of personal objectives under the FY2024 STI Plan. Refer Section "FY2024 STI outcomes" for further details.
- Performance rights granted under the FY2022-2024 Long-Term Incentive Plan (LTI), tested on 30 June 2024, lapsed, reflecting that the performance hurdles of Earnings Per Share (EPS) and Return on Funds Employed (ROFE) were not achieved.
- Performance rights granted under the FY2024-2026 LTI plan, tested on 30 June 2024, will vest at the end of the three-year period of the plan reflecting that the FY2024 performance hurdle of ROFE was achieved. Refer section "LTI awards vesting in FY2024" for further details.
- To increase alignment between Key Management Personnel (KMP) incentives and shareholder interests, a relative Total Shareholder Return measure was introduced in the FY2024-2026 LTI which will be assessed over the three-year period of the plan.

Overall remuneration outcomes for our Executive KMP reflect the business performance in FY2024.

Terry O'Brien

Chair of the Nomination, Remuneration,
People & Capability Committee

Remuneration at Bega Group in FY2024

40:40 Vision of gender composition of reports to the Chief Executive Officer and the Board

We were proud to become a signatory in FY2023 to HESTA's 40:40 Vision to achieve gender balance in executive leadership by 2030. In FY2024 we extended this vision to also include membership of the Board. This initiative is led by members of Australia's investor and business community across all ASX300 companies.

40:40 stands for 40% women, 40% men and 20% any gender, and 40:40 Vision seeks to achieve this goal by encouraging companies to set and publicly report on progress against targets for the composition of their executive leadership teams.

Signing up to 40:40 Vision demonstrates our long-term commitment to workplace gender equality, demonstrating our values of Support Each Other and Grow Our People. 40:40 Vision is a way we can further align to the United Nations Sustainable Development Goal, to achieve gender equity and empower all women.

We have set our goals to reach the 40:40 Vision target of 40% women on our Executive Leadership Team and the Board in the following way, and we recognise we must continue to do more work to reach 40:40 in all leadership teams across the Group.

- 2024 – 20%
- 2027 – 30%
- 2030 – 40%

As at the end of FY2024 22% (2) of our Executive team, and 29% (2) of our Board are women.



Directors' Report

Key Management Personnel Remuneration

This report sets out the remuneration of the Executive Chairman, Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Non-executive Directors. These individuals represent the Key Management Personnel (KMP) of the Group, being those accountable for planning, directing and controlling the affairs of the Group during the financial year to 30 June 2024.

The executive positions comprising KMP are determined by the Nomination, Remuneration, People & Capability Committee (NRPCC) in consultation with the Executive Chairman and the CEO. There was no change to the composition of executive KMP or any changes to the composition of the Board in FY2024.

Name	Position held	Term
Executive KMP		
Barry Irvin	Executive Chairman	Full year
Peter Findlay	Chief Executive Officer	Full year
Gunther Burghardt	Chief Financial Officer	Full year
Non-executive Directors		
Rick Cross	Non-Executive Director	Full year
Harper Kilpatrick	Non-Executive Director	Full year
Patria Mann	Non-Executive Director	Full year
Peter Margin	Deputy Chairman	Full year
Raelene Murphy	Non-Executive Director	Full year
Terry O'Brien	Non-Executive Director	Full year

Overview of FY2024 executive remuneration framework

At Bega Group, our executive remuneration framework is designed to attract, motivate and retain highly qualified and experienced executives, who align with our vision and purpose of "Great Food, Great People, Great Aspirations and Greater Good."

Our remuneration structures ensure a linkage between pay outcomes and business performance. Our remuneration structures ensure that we:

- appropriately remunerate executives for their role
- motivate executives to perform in the best interests of the company
- make remuneration decisions in a way that provides equity and consistency in and between roles
- have remuneration outcomes that are aligned with our short-term and long-term objectives
- support effective governance
- attract and retain the talent we need to underpin the Group's strategic plan.

An overview of our Executive KMP remuneration framework is set out below:

Remuneration Element	Description
Fixed remuneration 50% of total target opportunity	Total fixed remuneration (TFR) comprises cash salary and superannuation contributions. TFR is not subject to specific performance or deliverables criteria and is generally considered fixed for the duration of the relevant annual review period. TFR is reviewed annually by the NRPPC regarding individual and Group performance, the skills and experience of the individual, the size and complexity of the individual's role and the KMP's total remuneration package. Further information can be found under FY2024 Fixed Remuneration outcomes.
Short-Term Incentive 25% of total target opportunity	The objective of the Short-Term Incentive (STI) Plan is to reward participants for achieving annual goals linked with the Group's strategy. Payments under the STI Plan are subject to agreed performance outcomes as approved by the Executive Chairman and the NRPPC for the CEO and CFO. The performance outcomes for the Executive Chairman are approved by the Board. Further information can be found under FY2024 STI outcomes.
Long-Term Incentive 25% of total target opportunity	The objective of the Long-Term Incentive (LTI) Plan is to reward participants for long-term performance and long-term value creation for shareholders. The LTI Plan is subject to the achievement of performance hurdles as determined by the NRPPC. Further information can be found under LTI awards granted in FY2024.

Linking remuneration outcomes with Group performance

The key indicators of Group performance and shareholder wealth relevant to the remuneration of KMP that have been extracted from the FY2024 financial statements are as follows:

Key performance indicator		FY2024 Actual	FY2024 Normalised	FY2023 Actual	FY2023 Normalised	FY2022 Actual	FY2022 Normalised	FY2021 Actual	FY2021 Normalised	FY2020 Actual	FY2020 Normalised	FY2024 vs FY2023 Normalised	
												Amount	%
Enterprise value	\$m	1,456	1,456	1,070	1,070	1,422	1,422	2,087	2,087	1,190	1,190	386	36
Profit before tax	\$m	39.8	41.6	(256.8)	35.2	33.8	64.0	99.2	60.1	31.0	46.2	6.4	18
Profit after tax	\$m	30.5	29.2	(229.9)	28.5	24.2	46.3	78.0	39.6	21.3	31.9	0.7	2
Dividends per share	Cents	8.00	8.00	7.50	7.50	11.00	11.00	10.00	10.00	10.00	10.00	0.5	7
Earnings per share	Cents	10.0	9.6	(75.6)	9.4	8.0	15.2	29.5	15.0	9.9	14.9	0.2	2
Share price at 30 June	\$	4.25	4.25	2.85	2.85	3.82	3.82	5.89	5.89	4.38	4.38	1.40	49
Total shareholder return	%	51.9	51.9	(23.4)	(23.4)	(33.3)	(33.3)	34.6	34.6	(4.8)	(4.8)	75.3	n/a
KMP total remuneration	\$'000	4,540	4,540	3,507	3,507	3,852	3,852	4,446	4,446	2,940	2,940	1,033	29

Directors' Report

FY2024 Fixed Remuneration outcomes

(a) Overview

As noted above, the Total Fixed Remuneration (TFR) for KMP is reviewed annually by the NRPCC having regard to individual and Group performance, the skills and experience of the individual, the size and complexity of the individual's role and the KMP's total remuneration package. In setting TFR, to remain market competitive, the NRPCC will refer to appropriate external market benchmarks.

(b) Review of TFR in 2024

The following changes were made to the TFR of Executive KMP in FY2024:

- **Executive Chairman:** consistent with previous years, the Board agreed that the TFR of the Executive Chairman be split as to his responsibilities as Chairman of the Board and as the most senior executive of the Group.

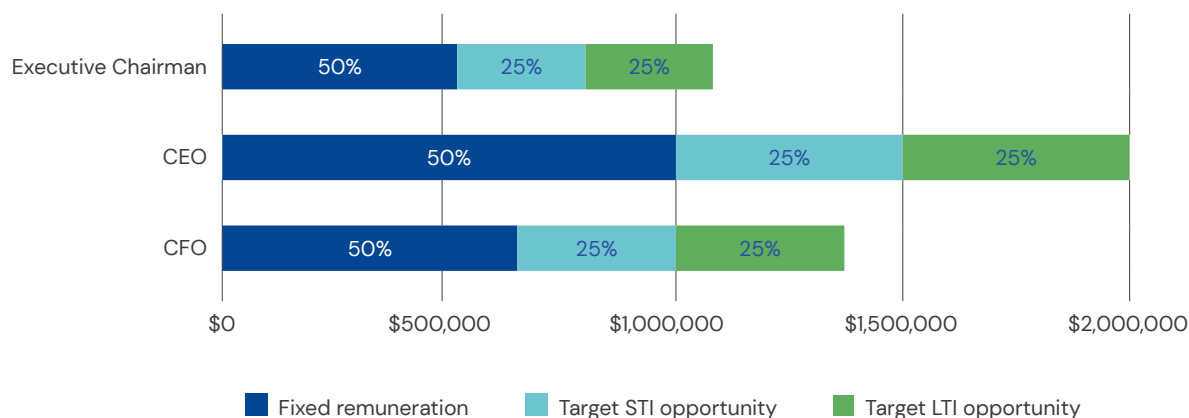
In FY2024, the Executive Chairman's remuneration was adjusted as follows:

- o The Executive Chairman's TFR was increased by 3.9% (inclusive of the legislated superannuation guarantee increase effective 1 July 2023), in line with the Group's annual salary review budget, to \$526,543 per annum effective 1 September 2023, as approved by the Board.
- o The Executive Chairman's fee for his role as the Chairman of the Board was increased by 3.5% to \$226,000 in line with the Group's annual salary review budget, effective 1 December 2023, as approved by the Board.

The Executive Chairman's annual fixed remuneration is \$752,543 comprising a TFR of \$526,543 relating to his executive duties and \$226,000 relating his role as Chairman of the Group.

- **CEO:** The CEO's TFR was increased by 3.7% (inclusive of the legislated superannuation guarantee increase effective 1 July 2023), in line with the Group's annual salary review budget to \$995,780 per annum effective 1 September 2023 as approved by the Board.
- **CFO:** The CFO's TFR was increased by 3.8% (inclusive of the legislated superannuation guarantee increase effective 1 July 2023), in line with the Group's annual salary review budget to \$664,580 per annum effective 1 September 2023 as approved by the Board.

The target pay mix of the Executive Chairman (excluding Chairman Board Fees), the CEO and CFO is set out below:



FY2024 STI outcomes

(a) Overview

Executive KMP have the potential for part of their total remuneration to be delivered under the Group's STI Plan, which is designed to reward the achievement of performance hurdles that are linked to the annual objectives which are tied to the Group's overarching strategy.

The payment of any STI is subject to the personal performance of the individual and the Group against determined financial and non-financial criteria and is also subject to the achievement of Group and individual gateways i.e., if these gateways are not met there will be no payment under the STI unless discretion is exercised by the Board. The maximum STI payable is 110% of target opportunity with 10% aligned to a stretch EBITDA target.

The Group performance and individual gateway for the STI Plan to open in FY2024 were met.

The target STI awards that Executive KMP were eligible to receive in respect of FY2024 are set out in the table below. These outcomes reflect both individual and Group performance against key metrics.

Executive KMP	Target STI opportunity (\$)	Target STI (% of fixed remuneration)	% of target FY2024 STI awarded	% of target FY2024 STI forfeited
Barry Irvin	\$263,271 ⁽¹⁾	50%	74%	26%
Peter Findlay	\$497,890	50%	75%	25%
Gunther Burghardt	\$332,290	50%	75%	25%

(1) Mr Irvin's target STI opportunity is based on his executive remuneration, not on the fees he receives as Chairman of the Board.

(b) Performance against FY2024 STI measures

The target STI award that the Executive Chairman was eligible to receive in respect of FY2024 is set out in the table below. The NRPCC reviewed the performance of the Executive Chairman and recommended the following outcomes for Board approval.

STI component	Target %	Barry Irvin, Executive Chairman Achieved %
EBITDA	50%	42%
EBITDA stretch	10%	0%
Personal objectives	50%	32%

The target STI award that the CEO and CFO were eligible to receive in respect of FY2024 is set out in the table below. The NRPCC reviewed the performance of the CEO and CFO and recommended the following outcomes for Board approval.

STI component	Target %	Peter Findlay, CEO Achieved %	Gunther Burghardt, CFO Achieved %
EBITDA	50%	42%	42%
EBITDA stretch	10%	0%	0%
OH&S	10%	0%	0%
Free cash flow	15%	15%	15%
Personal objectives	25%	18%	18%

Directors' Report

FY2024 STI terms – further detail

The STI for the Executive Chairman, CEO and CFO are determined in accordance with the STI Plan as approved annually by the Board. The table below outlines the key terms and conditions applying to the STI Plans for the Executive KMP during FY2024.

Component	Detail
Target opportunity	50% of total fixed remuneration for the Executive Chairman, CEO and CFO.
Performance period	STI awards are assessed over the 12-month financial year. Any STI award payments are made after performance is tested at the end of the performance period.
Vehicle	All STI awards are delivered in cash.
Gateway	The Executive Chairman, CEO and CFO are only entitled to a payment under the STI Plan if specific Group performance and individual gateways are achieved. These gateways ensure that STI payments are aligned to the Group's key strategic and business objectives. The Group gateways are as follows: - no STI payments are made unless the Group achieves or exceeds targeted EBITDA (having accrued for the payout of the program in that year) - no STI payments are made if during the year there is a major safety, quality or environmental event that was within the reasonable control of the Group. Individual gateways apply to the Chairman, CEO and CFO meaning that no STI payment is made unless the individual KMP executed their duties in a proper and effective manner by: - leading by example and being a role model for safety, quality, and the environment - demonstrating collegiate behaviour and active participation in workgroup meetings - upholding and promoting the Group's values and behaviours. The CEO and CFO need to meet additional individual performance gateways relating to participation in safety, quality and environmental programs as well as achieving a satisfactory annual performance review.
Personal objectives	Each KMP has individual performance objectives. These personal objectives are clearly linked to key strategic areas set for the business. Performance objectives include improvement in Group safety performance, cost reduction, productivity improvements, and business growth.
Financial objectives	The financial metrics 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 financial metrics. Each year the NRPCC makes a recommendation to the Board for approval in respect of the determined financial metrics for all KMP.
Performance assessment	Each 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.
Governance	Executive Chairman performance At the end of the financial year the NRPCC reviews the performance of the Executive Chairman relating to his executive duties against determined criteria. CEO performance At the end of the financial year the Executive Chairman assesses the actual performance of the CEO against determined criteria. CFO performance At the end of the financial year, the CEO assesses the actual performance of the CFO against the determined criteria. STI outcome recommendations are submitted to the NRPCC prior to being submitted to the Board for final review and approval. Board approval is required before any STI plan is paid.
Board discretion	The Board has absolute discretion to amend any component of the STI for KMP.

LTI awards granted in FY2024

(a) Overview

The group operates an LTI Plan for the Executive Chairman, CEO and CFO. The purpose of the LTI is to:

- assist in the retention, motivation and reward of the Executive Chairman, CEO and CFO
- link the reward of the Executive Chairman, CEO and CFO to shareholder value creation
- align the economic interests of CEO and CFO with shareholders by providing an opportunity to be rewarded via an equity interest in the Group based on creating shareholder value.

The Executive Chairman, CEO and CFO have identical LTI performance targets.

The FY2024 LTI grant will be assessed against Earnings Per Share (EPS), Return on Funds Employed (ROFE) and Total Shareholder Return (TSR).

(b) FY2024 LTI awards

The table below outlines the face value of LTI awards granted to KMP during FY2024.

Executive KMP	Target LTI opportunity (\$)	Target LTI opportunity (% of Fixed Remuneration)	Number of performance rights allocated
Barry Irvin	\$263,271	50% of fixed remuneration	86,318
Peter Findlay	\$497,890	50% of fixed remuneration	163,242
Gunther Burghardt	\$332,290	50% of fixed remuneration	108,947

The table below sets out the key terms attached to the LTI awards granted to the KMP during the year.

Component	Detail
Overview	The FY2024 LTI Plan is designed to reward the Executive Chairman, CEO and CFO for long-term performance and long-term value creation for shareholders.
Instrument	• Executive Chairman (cash-settled performance rights): The Executive Chairman is a substantial shareholder of the Group and as a result his personal financial interests are already aligned with other shareholders. The opportunity to receive further shares in the Group 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 is to be paid in cash if the performance hurdles are met. • CEO and CFO (equity-settled performance rights): Given that the CEO and CFO are not substantial shareholders of the Group, 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 Group. The number of performance rights for the LTI Plan is calculated using the 'fair value' method (see below). Subject to the satisfaction of the performance hurdles and the vesting conditions as set out below, each performance right issued under the plan is converted into one fully paid ordinary share in the Group.
Exercise price	Nil.
Allocation methodology	The fair value of the performance rights for allocation purposes is calculated by taking the closing price of Bega Cheese Limited shares at the November NRPPC meeting which was held on 20 November 2023 and deducting the present value of expected dividends forgone over the duration of the FY2024 Plan (i.e. the dividends not received until the performance rights vest). The fair value as per AASB 2 Share-based payments for the FY2024 LTI grant is \$3.24 and the grant date is 20 December 2023.
Performance period	The FY2024 LTI grant is subject to a performance period from 1 July 2023 to 30 June 2026.

Component	Detail
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Performance measures

Performance measures

The table below outlines the performance measures and vesting schedules applying to the FY2024 LTI Plan as it applies to the Executive Chairman, CEO and CFO.

Apportionment of performance rights

- 33% of the performance rights granted under the FY2024 LTI Plan are subject to a performance hurdle based on the achievement of an Earnings Per Share (EPS) growth target. The EPS growth target is outlined below and applies over the entire performance period.
- 33% of the performance rights granted under the FY2024 LTI Plan are subject to a Return On Funds Employed (ROFE) performance hurdle, apportioned into three equal tranches of 11% that are tested each year of the plan where each annual target is met. The ROFE targets are set out in the below table for each year of the performance period.
- 34% of the performance rights granted under the FY2024 LTI Plan are subject to a relative Total Shareholder Return (TSR) target. The TSR target applies over the entire performance period.

The apportionment of performance rights is outlined in the table below:

Performance hurdle	Apportionment of performance rights
EPS FY2024–FY2026	33%
ROFE FY2024	11%
ROFE FY2025	11%
ROFE FY2026	11%
Relative TSR FY2024–FY2026	34%
Total	100%

Performance measures and targets

Earnings Per Share

Vesting percentage	EPS Compound Annual Growth Rate (CAGR) target FY2024–FY2026
Nil vesting	Below 16% over the performance period
Pro-rated vesting between 0% and 50%	Between 16% and 18% compound annual EPS growth over the performance period
50% vesting	At 18% over the performance period
Pro-rated vesting between 50% and 100%	Between 18% and 20% over the performance period
100% vesting	At 20% or above over the performance period

The Board retains the discretion to adapt the calculation of the LTI Plan measure of the Earnings Per Share performance hurdle to reflect the impact of significant events, such as capital raising or corporate activity, that may occur during the performance periods.

Return on Funds Employed (ROFE)

Vesting percentage	ROFE CAGR target FY2024–FY2026
Nil vesting	At less than 4% for FY2024, at less than 5% for FY2025 and less than 5% for FY2026 annual ROFE growth over the respective performance period
50% vesting	At 4% FY2024, 5% FY2025 and 5% in FY2026 annual ROFE growth over the respective performance period
Pro-rated vesting between 50% and 75%	
75% vesting	At 4.5% FY2024, 5.5% FY2025 and 6% FY2026 annual ROFE growth over the respective performance period
Pro-rated vesting between 75% and 100%	
100% vesting	At 5% or above in FY2024, 6% or above in FY2025 and 7% or above in FY2026 or above annual ROFE growth over the respective performance period

Total Shareholder Return (TSR)

The Board has determined that the TSR hurdle will be based on the Company's TSR relative to the TSR performance of a group of companies (Peer Group) over the performance period. The Peer Group for the TSR hurdle will be the ASX 101–300, and vesting will occur in accordance with the below schedule.

Vesting percentage	TSR Compound Annual Growth Rate (CAGR) target FY2024–FY2026
Below the median of the Peer Group nil vesting	Vesting will occur on a straight-line basis between 50% and 100% of the metric
At the median of the Peer Group 50% vesting	
At or above the 75th percentile of the Peer Group 100% vesting	

TSR is calculated as a percentage growth in shareholder value over the performance period based on share price growth and dividends, assuming they are reinvested into shares.

Component	Detail
Dividend and voting rights	There are no voting or dividend rights until the performance rights vest and are exercised and converted into ordinary shares in the Company. Additional performance rights are not granted as a result of holding performance rights when dividends are declared by the Group.
Restrictions on transfer	The CEO and CFO may not transfer or encumber the performance rights with a security interest without the consent of the Board.
Malus	All performance rights will also lapse in other circumstances, including, but not limited to, where the CEO and CFO have acted fraudulently or dishonestly as determined by the Board.

There will be no vesting of performance rights assessed under the EPS and TSR measure under the FY2024 LTI Plan unless the KMP remains employed with the Group during the entire performance period of the plan, unless the KMP is determined to be a "good leaver" under the rules of the plan. Performance rights are assessed under the ROFE measure at the end of each of the three years of the FY2024 LTI Plan. There will be no vesting of performance rights assessed under the ROFE measure unless the KMP remains employed with the Group at the end of each performance period of the plan, unless the KMP is determined to be a "good leaver" under the rules of the plan.

Performance rights that have not vested because of performance measures not being met will automatically lapse, nor will any cash payment be made to the Executive Chairman in these circumstances.

Directors' Report

LTI awards vesting in FY2024

(a) Overview

Long-Term Incentive Plan FY2022 – FY2024

The FY2022 LTI Plan was tested in FY2024 (i.e. on 30 June 2024). 55% of this award was tested against EPS growth targets, and 15% against ROFE targets in each of the three years of the plan with vesting subject to continued employment over the performance period.

The FY2022 LTI performance hurdles tested were not met and as a result no cash payment was made to the Executive Chairman and no performance rights vested into shares for the CEO or CFO.

Long-Term Incentive Plan FY2024 – FY2026

The first ROFE tranche of the FY2024 LTI was tested in FY2024 (i.e. on 30 June 2024). 11% of the award was tested against the FY2024 ROFE target.

The ROFE performance hurdle for the first tranche of the FY2024 LTI was met, and as a result a cash payment will be made to the Executive Chairman and vested Performance Rights granted to the CEO or CFO at the end of the three year plan period, or earlier if they leave the groups employment and are determined to be a "good leaver" under the rules of the plan.

Employee Share Purchase Plan

The Group provides employees the opportunity to acquire Bega Cheese Limited shares under the Bega Cheese Limited Employee Share Plan through a pre-tax salary sacrifice arrangement. The plan enables participants to sacrifice up to \$5,000 to acquire shares in the company, subject to a holding restriction. The plan is open to all permanent employees of the company.

Executive KMP remuneration statutory table

Details of each Executive KMP's remuneration for FY2024 (calculated in accordance with the applicable Accounting Standards) are set out below.

Year	Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payment		Total
	Cash salary and fees	Short-term incentive ⁽¹⁾	Superannuation	Leave ⁽²⁾	Long-term incentive ⁽³⁾	Cash settled performance rights ⁽⁴⁾	Equity settled performance rights ⁽⁴⁾	All amounts
	\$	\$	\$	\$	\$	\$	\$	\$
Executive Chairman								
Barry Irvin ⁽⁵⁾	2024	719,010	194,821	27,399	63,446	(85,424)	144,339	- 1,063,591
	2023	694,612	-	25,292	57,988	(45,287)	-	- 732,605
Executives								
Peter Findlay ⁽⁶⁾	2024	962,769	373,418	27,399	98,687	-	-	73,097 1,535,370
	2023	836,687	-	25,292	104,076	-	-	(36,136) 929,919
Gunther Burghardt ⁽⁷⁾	2024	633,436	249,218	27,399	55,620	-	-	62,820 1,028,493
	2023	456,032	-	18,969	41,415	-	-	78,061 594,477
Former executives								
Paul van Heerwaarden ⁽⁸⁾	2024	-	-	-	-	-	-	-
	2023	604,142	-	18,969	39,813	-	-	(248,837) 414,087
Total Executive remuneration	2024	2,315,215	817,457	82,197	217,753	(85,424)	144,339	135,917 3,627,454
	2023	2,591,473	-	88,522	243,292	(45,287)	-	(206,912) 2,671,088

(1) No STI payments were made to KMP for FY2023.

(2) The expense relates to the combined long service and annual leave accrual movement during the year.

(3) Long-term incentive based on the achievement of specified milestones of the Executive Chairman's LTI Plan. The amount reflects the prior period expense reversal relating to the FY2023 to FY2025 LTI plan not vesting. Further details of the Executive Chairman's LTI Plan are set out in the Summary of Plans above.

(4) In accordance with accounting standards, remuneration includes the amortisation of the fair value at grant date of performance rights issued under the LTI Plans that are expected to vest, less any write-back on performance rights lapsed or expected to lapse as a result of actual or expected performance against Plan hurdles. The value disclosed in the above table represents the portion of fair value allocated to this reporting period and is not indicative of the benefit, if any, that may be received by the Executive should the performance conditions with respect to the relevant long-term incentive plan be satisfied. The amount of \$144,339 under the cash settled performance rights in FY2024 reflects current year expense for the FY2024 to FY2026 plan for the Executive Chairman. The amount of \$135,917 under the equity settled performance rights in FY2024 reflects current year expense for the FY2024 to FY2026 plan for the CEO and CFO; less the write-back of expense incurred in prior periods relating to unvested rights that were forfeited in respect of the FY2023 to FY2025 plan of \$216,054. Further details of the CEO's and CFO's LTI Plan are set out in the Summary of Plan above.

(5) Includes remuneration for Non-executive Chairman responsibilities.

(6) Mr Findlay held the roles of Chief Financial Officer, Chief Operating Officer and Chief Executive Officer throughout FY2023. Remuneration over the period is pro-rated accordingly.

(7) Mr Burghardt commenced in his role as Chief Financial Officer and subsequently as Key Management Personnel on 3 October 2022.

(8) Mr van Heerwaarden ceased employment with the company on 3 February 2023, and subsequently ceased as Key Management Personnel on the same day.

Non-Executive Directors' remuneration

Remuneration policy and arrangements

On 1 July 2023 there was a change to Board committees with the Audit and Risk Committee responsibilities changing to Audit, with Risk responsibilities moving to a new committee, Sustainability and Risk.

The Board sets Non-executive Director fees in line with the key objectives of the Group's remuneration policy set out below.

- **Market competitive:** 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 Board will also have regard to the size and complexity of the Group's operations, as well as the workload and time commitments and responsibilities of their roles.
- **Independence and impartiality:** 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 (except for the Executive Chairman who participates in the STI and LTI plan based on his TFR which relates to his executive duties).

Aggregate fee pool

The Group pays Chair and Committee fees to the Non-executive Directors out of the maximum aggregate fee pool of \$1,750,000 per annum approved by shareholders at the 2021 Annual General Meeting.

Fees and other benefits

The following table details the previous and current level of all Directors' fees and allowances, which are all inclusive of superannuation obligations. Fees were increased in December 2023 by approximately 3.5% in line with the salaried staff annual salary review budget:

	Rate as from 1 July 2023 \$	Rate as from 1 December 2023 \$
Board fees		
Chairman of the Board	218,400	226,000
Deputy Chairman	51,500	53,500
Director fees	109,200	113,000
Committee fees		
Chair of Audit Committee	24,800	25,500
Audit Committee member allowance	12,400	12,750
Chair of NRPCC	24,800	25,500
NRPCC member allowance	12,400	12,750
Chair of Milk Services Committee	15,500	16,000
Milk Services Committee member allowance	7,800	8,000
Chair of Risk and Sustainability Committee	24,800	25,500
Risk and Sustainability Committee member allowance	12,400	12,750

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.

Directors' Report

Non-executive Directors – statutory remuneration

The fees paid or payable to the Non-executive Directors of the Group in respect of FY2024 are set out in the table below.

	Year	Director fees	Superannuation	Total
	\$	\$	\$	\$
Non-executive Directors				
Harper Kilpatrick	2024	127,290	14,002	141,292
	2023	108,890	11,434	120,324
Patria Mann	2024	118,431	13,027	131,458
	2023	108,890	11,434	120,324
Peter Margin	2024	170,533	18,759	189,292
	2023	154,179	16,189	170,368
Raelene Murphy	2024	145,796	16,038	161,834
	2023	131,073	13,763	144,836
Rick Cross	2024	125,957	13,855	139,812
	2023	122,754	12,889	135,643
Terry O'Brien	2024	134,441	14,788	149,229
	2023	131,073	13,763	144,836
Total Non-executive Director remuneration	2024	822,448	90,469	912,917
	2023	756,859	79,472	836,331

Remuneration governance

Overview of remuneration governance framework

The Board, supported by the NRPCC, is responsible for the remuneration strategy, principles and procedures for employees of the Group.

The NRPCC operates under a formal charter to assist the Board in relation to its responsibilities in identifying, attracting and remunerating Directors, the Executive Chairman, the CEO and the CFO.

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

An overview of the NRPCC responsibilities is set out below:

Role	Details
Recommendations to the Board	The Board takes recommendations from the NRPCC in setting the remuneration of Executive KMP. The NRPCC assesses and makes recommendations to the Board on any changes to the composition of the Board with a view to ensuring that it can operate effectively and efficiently and adequately discharge its responsibilities and duties. In formulating its recommendations, the NRPCC considers a range of factors including: • group financial performance • remuneration market data for KMP operating in similar listed organisations and industry sectors • remuneration components and weightings of fixed and variable remuneration • the performance levels and contribution of the individual KMP.

Role	Details
Advice and assistance to the Board	The NRPCC advises and assists the Board to ensure that the Group: - 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 - fairly and responsibly remunerates Directors and executives, having regard to the performance of the Group, the performance of executives and the market remuneration environment - 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 NRPCC is provided in the FY2024 Corporate Governance Statement published on the Bega Cheese Limited website (www.begagroup.com.au/investors/corporate-governance/).

Executive KMP service agreements

The Executive Chairman, in relation to his executive duties, the CEO and the CFO have service agreements, 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.
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.

Use of remuneration consultants

In accordance with its Charter, the NRPCC can engage with remuneration consultants. Ernst & Young was engaged during FY2024, rendering \$134,875 in consulting fees for services which included a review of the LTI Plan rules, relative TSR comparator group consideration and Board fee benchmarking and associated documents. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained in FY2024.

Other matters

Related party transactions

During the year, some KMP and their related entities entered into related party transactions with the Group relating to the supply of milk and the sale of peanuts. These transactions were on the same normal commercial terms as other suppliers and are summarised in the table below:

	CONSOLIDATED	
	2024 \$m	2023 \$m
Payments made by the Group during the year	3,243,144	5,987,855
Sales made by the Group during the year	401,766	341,145
Rental income received by the Group during the year	-	45,378
Amounts payable at year end	236,792	191,377
Amounts receivable at year end	65,102	90,852

No executive KMP or their related parties held any loans with the Group during FY2024.

Director minimum shareholding guidelines

From 1 July 2022, a minimum shareholding guideline for Directors was implemented by the Board. Under this guideline, Directors have three years to build a minimum shareholding equal to 100% of annual base fees, inclusive of superannuation. The three-year time frame commences from the latter of 1 July 2022, or the date of Director appointment (if a new Director). The shareholding guideline is met once a Director meets the guideline for the first time which must be maintained but will not be retested for fluctuations in the share price. Adherence to these guidelines will be tested by the Company's appointed valuations partner using a 12-month Volume-Weighted Average Price (VWAP) calculation as at 30 June of the financial year.

Shareholdings

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

2024 – Numbers of ordinary shares	Balance at start of year	Shares purchased	STI/LTI shares awarded	Shares sold	Balance at the end of the year
Executive Chairman					
Barry Irvin	2,038,841	-	-	-	2,038,841
Executive KMP					
Peter Findlay	23,098	-	-	-	23,098
Gunther Burghardt	22,002	1,700	-	-	23,702
Non-executive Directors					
Rick Cross	202,566	-	-	(50,000)	152,566
Harper Kilpatrick	30,475	609	-	-	31,084
Patria Mann	50,000	400	-	-	50,400
Peter Margin	36,069	-	-	-	36,069
Raelene Murphy	22,065	223	-	-	22,288
Terry O'Brien	27,005	13,387	-	-	40,392

Movements in performance rights during FY2024

The below table outlines the movements in performance rights for KMP during FY2024. The lapsed awards referenced in the LTI vesting section of this report will be reflected in the FY2025 Annual Report. The ROFE performance hurdle for the first tranche of the FY2024 LTI was met and as a result performance rights granted to KMP will vest at the end of the three year plan period, or earlier if they leave the Group's employment and are determined to be a "good leaver" under the rules of the plan.

2024 – Number of rights	Rights held at 1 July 2023	Rights granted in FY2024	Rights exercised in FY2024	Rights lapsed in FY2024	Rights held at 30 June 2024	Rights vested and exercisable in FY2024
Executive KMP						
Barry Irvin	-	86,318	-	-	86,318	9,494
Peter Findlay	253,662	163,242	-	(75,833)	341,071	17,956
Gunther Burghardt	76,395	108,947	-	-	185,342	11,984

Likely developments and expected results of operations

Other than as disclosed in the Chairman and Chief Executive Officer's Report 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 one hundred thousand dollars, or in certain cases, to the nearest dollar.

Matters subsequent to the end of the financial year

On 26 August 2024, the Group announced that it has entered into a binding agreement to sell its Leeton juice extraction facility and related assets to Australian Juice Processing and Bottling Pty Ltd (Grove Juice) subject to conditions for \$11.4 million. Upon completion, which is expected to occur in the second quarter of FY2025, Grove Juice will take ownership of the facility and provide employment to existing staff. Grove Juice will process fruit on behalf of the Group as part of a long-term agreement. The Group will maintain its strong relationships with local and regional suppliers to source its fruit. As at reporting date, property, plant and equipment of \$11.0 million related to this site has been reclassified to assets held for sale under current assets. No adjustment has been made to the carrying value of these assets.

On 29 August 2024, the Directors declared a final fully franked dividend of 4.0 cents per share, which represents a distribution of \$12.2 million.

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 Group 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 32.

The Board of Directors have considered the position and in accordance with advice from the Audit 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 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 55.

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

Barry Irvin
Executive Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

29 August 2024



Auditor's Independence Declaration

As lead auditor for the audit of Bega Cheese Limited for the year ended 30 June 2024, 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.

A handwritten signature in black ink, appearing to read 'S. Loble', with a long horizontal flourish extending to the right.

Sam Loble
Partner
PricewaterhouseCoopers

Melbourne
29 August 2024

Corporate Governance Statement

Bega 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 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.begagroup.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 as otherwise detailed in the Corporate Governance Statement.

DELIVERING B2B E-COMMERCE EXCELLENCE

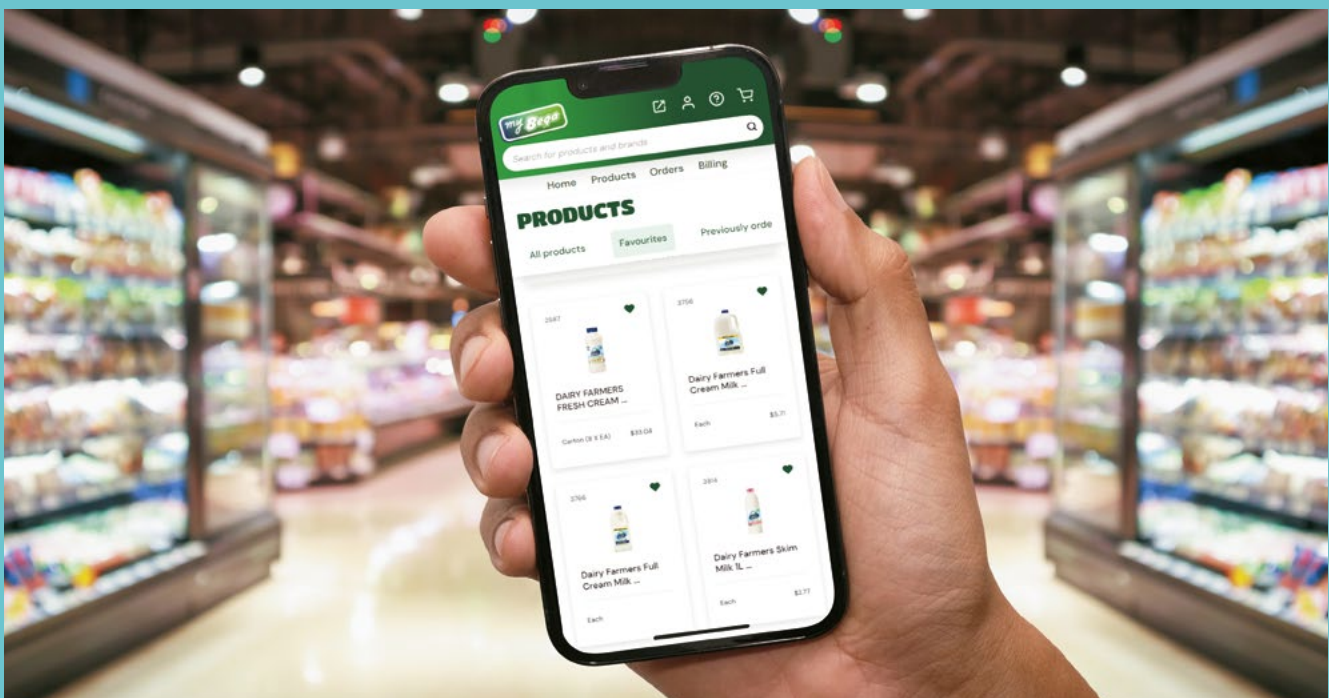
We have enhanced our chilled distribution network capability with a new B2B e-commerce platform. It creates a market-leading service offer for our customer base and implements advanced sales technology across the network.

Advances in B2B e-commerce technology rival the best in B2C e-commerce, and we wanted to bring those benefits to customers in our network. Our investment in upgrading e-commerce capability provides a leading customer buying experience designed for the complexities of high-velocity, short shelf-life chilled distribution.

The new technology platform allows us to serve our customers better, with more customer flexibility, autonomy, freedom, and transparency. It provides sales intelligence for increased supply chain responsiveness and faster adaptation to market demand changes.

This exciting new portal went live shortly before the end of the financial year, and will be rolled out to the majority of our customers during FY2025. We expect a significant proportion of our customers to switch from traditional to digital ordering and estimate that the new e-commerce platform will process more than 450,000 orders annually.

We aim to be the leading distribution network for chilled dairy categories across Australia, and this investment supports our growth and leadership in categories such as milk beverages, with Dare, Big M, Dairy Farmers, Masters and Farmers Union Ice Coffee brands. Improving ordering efficiency will translate to improved sales, with less order time lag and potential out-of-stock occasions in retail. This improves sales turnover for the retailer and ensures our beverage brands, such as Dare, are readily available in over 20,000 outlets across Australia.



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Consolidated Statement of Comprehensive Income

	Notes	CONSOLIDATED	
		2024 \$m	2023 \$m
Revenue	5	3,521.6	3,376.0
Cost of sales		(2,823.1)	(2,719.6)
Gross profit		698.5	656.4
Other revenue	5	11.7	11.6
Other income	5	26.6	24.4
Distribution expense		(314.5)	(311.7)
Marketing expense		(108.0)	(106.2)
Occupancy expense		(45.9)	(45.5)
Administration expense		(189.8)	(185.0)
Impairment of assets	6	(2.7)	(275.9)
Finance costs	6	(36.1)	(24.1)
Share of net loss of equity accounted investments		-	(0.8)
Profit/(loss) before income tax		39.8	(256.8)
Income tax (expense)/benefit	7a	(9.3)	26.9
Profit/(loss) for the period attributable to owners of Bega Cheese Limited		30.5	(229.9)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges, net of tax		0.4	(0.7)
Exchange differences on translating foreign operations		-	(0.1)
Total other comprehensive income		0.4	(0.8)
Total comprehensive income for the period attributable to owners of Bega Cheese Limited		30.9	(230.7)
		2024	2023
		Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:			
Basic earnings per share		10.0	(75.6)
Diluted earnings per share		9.9	(75.3)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		CONSOLIDATED	
	Notes	2024 \$m	2023 \$m
ASSETS			
Current assets			
Cash and cash equivalents	20	65.6	66.4
Trade and other receivables	8	350.9	306.1
Derivative financial instruments		1.2	0.2
Inventories	10	358.1	428.7
Assets held for sale	11	17.3	1.4
Other current assets	9	28.6	29.4
Total current assets		821.7	832.2
Non-current assets			
Property, plant and equipment	11	673.4	687.2
Right-of-use assets	12	150.8	161.4
Deferred tax assets	7e	16.3	7.8
Intangible assets	13	476.6	464.5
Total non-current assets		1,317.1	1,320.9
Total assets		2,138.8	2,153.1
LIABILITIES			
Current liabilities			
Trade and other payables	14	558.4	510.0
Other liabilities	15	16.2	17.3
Derivative financial instruments		0.3	0.8
Lease liabilities	12	23.9	17.2
Current tax liabilities		4.9	13.0
Provisions	17	103.8	120.3
Total current liabilities		707.5	678.6
Non-current liabilities			
Borrowings	16	226.7	269.0
Lease liabilities	12	168.3	180.9
Other liabilities	15	4.7	4.4
Provisions	17	16.8	16.5
Total non-current liabilities		416.5	470.8
Total liabilities		1,124.0	1,149.4
Net assets		1,014.8	1,003.7
EQUITY			
Share capital	18a	882.2	881.0
Reserves	19	26.4	25.7
Retained earnings		106.2	97.0
Capital and reserves attributable to owners of Bega Cheese Limited		1,014.8	1,003.7
Total equity		1,014.8	1,003.7

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated	Notes	Share capital \$m	Reserves \$m	Retained earnings \$m	Total \$m
Balance as at 1 July 2022		878.2	26.9	357.3	1,262.4
Loss for the period		-	-	(229.9)	(229.9)
Other comprehensive income for the period		-	(0.8)	-	(0.8)
Transactions with owners in their capacity as owners:					
- Issue of shares	18b	3.6	-	-	3.6
- Share-based payments relating to incentives	33	-	(0.4)	-	(0.4)
- Dividends provided for or paid	4	-	-	(30.4)	(30.4)
- Tax effect of prior period share issue transaction costs	7d	(0.8)	-	-	(0.8)
Balance as at 30 June 2023		881.0	25.7	97.0	1,003.7
Balance as at 1 July 2023		881.0	25.7	97.0	1,003.7
Profit for the period		-	-	30.5	30.5
Other comprehensive income for the period		-	0.4	-	0.4
Transactions with owners in their capacity as owners:					
- Issue of shares	18b	1.9	-	-	1.9
- Share-based payments relating to incentives	33	-	0.3	-	0.3
- Dividends provided for or paid	4	-	-	(21.3)	(21.3)
- Tax effect of prior period share issue transaction costs	7d	(0.7)	-	-	(0.7)
Balance as at 30 June 2024		882.2	26.4	106.2	1,014.8

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

		CONSOLIDATED	
	Notes	2024 \$m	2023 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of goods and services tax		3,725.2	3,611.1
Payments to suppliers and employees inclusive of goods and services tax		(3,537.8)	(3,607.8)
Net proceeds from Trade Receivables Facility		7.2	36.6
Interest and other costs of financing paid		(36.1)	(24.1)
Interest received		1.6	1.0
Income taxes paid	7f	(25.8)	(8.6)
Net inflow from operating activities	20	134.3	8.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Vitasoy Australia shares		-	51.0
Proceeds from sale of land and buildings at Port Melbourne		-	114.6
Payments for property, plant and equipment		(63.0)	(61.0)
Net proceeds from sale of property, plant and equipment		27.9	1.5
Net proceeds from sale of intangible assets		6.8	-
Payments for intangible assets		(11.6)	(7.1)
Payments for business combinations	26	(12.4)	-
Joint venture distributions received		-	0.9
Net (outflow)/inflow from investing activities		(52.3)	99.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		228.0	-
Repayment of borrowings		(270.0)	(40.0)
Principal elements of lease payments		(21.4)	(19.8)
Dividends paid to Bega Cheese Limited's shareholders	4	(19.4)	(26.8)
Net outflow from financing activities		(82.8)	(86.6)
Net (decrease)/increase in cash and cash equivalents		(0.8)	21.5
Cash and cash equivalents at the beginning of the year		66.4	44.9
Cash and cash equivalents at the end of the year		65.6	66.4

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

How numbers are calculated

1. Significant events in the accounting period

A. Acquisition of Betta Milk and Meander Valley Dairy

On 28 August 2023, the Group announced that it had entered into a binding agreement to acquire the businesses and certain assets of Betta Milk and Meander Valley Dairy from TasFoods Limited and its subsidiary Van Diemen's Land Dairy Pty Ltd. The acquisition also included a perpetual, royalty-free licence to use the Pyengana Dairy brand for milk and cream products in Australia. The total purchase price was \$12.4 million.

The acquisition was successfully completed on 1 December 2023. Acquisition related costs of \$6.9 million are included in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2024. Refer to note 26 for further details.

Subsequent to the acquisition, the Group ceased manufacture of its fresh dairy products at its Burnie and Kings Meadow facilities in Tasmania and relocated manufacturing to the Group's Lenah Valley site. This decision was made following a review of its fresh milk manufacturing operations across Tasmania. Following this decision, an impairment of plant and equipment of \$2.8 million has been recognised as an expense during the year.

B. Canberra property sale and leaseback

In FY2023, the Group ceased the manufacture of fresh milk product at its Griffith facility in Canberra and relocated manufacturing to the Group's Penrith site. The site was comprised of five adjacent blocks of land, operating as a combined manufacturing site and logistics hub.

In November 2023, the Group sold all five blocks of land at the Griffith site for \$25.3 million. The Group leased back Block 5 of the site for use as a logistics hub. The pre-tax profit recognised on sale of the property was \$15.4 million and was partially offset by \$2.2 million of related exit costs for the year ended 30 June 2024.

C. Revised debt facilities

The Group's Syndicated Debt Facility was transitioned to Common Terms Deed Debt Facilities in June 2024 (refer to note 22d for further details).

D. Restructuring implementation

During FY2024 the restructuring program, which was initially announced in FY2023, commenced implementation with the new structure taking effect from October 2023. The aim of the restructure was to increase organisational alignment to the five-year strategy, by creating teams with the broader focus of delivering results for the Group as one integrated business. The reorganisation program simplified operations and decision-making by consolidating business unit and Group function team structures. The Group is committed to ongoing organisational alignment initiatives and technology-led projects to ensure that corporate decision-making processes and structures continue to be streamlined. Restructuring costs of \$5.3 million from the continuation of the Group's announced restructuring program were recognised during FY2024 and the last minor remaining changes relating to the restructuring program will occur during FY2025.

E. Effective tax rate

The Group's effective company tax rate is calculated as income tax expense divided by profit before tax. Income tax expense captures taxes on profits and excludes other types of taxes for example GST, FBT, payroll tax and PAYG tax paid on behalf of employees. The effective company tax rate will differ from the statutory company tax rate of 30% due to non-temporary differences. The *prima facie* effective tax rate of the Group is 23.4% which is largely attributable to the impact of finalising the Group's formation of a tax consolidated group and the permanent benefit in respect of research and development tax incentive.

2. Segment information

A. Description of segments

The Group determines the reporting segments based on financial and other management reports reviewed by the Executive Chairman, Chief Executive Officer and Chief Financial Officer, in their capacity as the Chief Operating Decision Makers (CODM).

The Group has two reporting segments:

- i. Branded – the manufacture of value-added consumer products for owned and externally owned brands.
- ii. Bulk – the manufacture of bulk dairy ingredients, nutritional and bio nutrient products.

The CODM assesses the performance of the reporting segments based on a measure of EBITDA. In addition, the CODM takes into account significant current year events by segment so that normalised business performance is assessed.

Unallocated overheads relate to corporate and legal costs that cannot be reasonably classified into a segment.

Inter-segment eliminations represent elimination of sales and profit in stock arising from inter-segment sales at an arm's length transfer price.

B. Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2024 is as follows:

	Branded \$m	Bulk \$m	Unallocated overheads \$m	Inter-segment eliminations \$m	Group total \$m
Year ended 30 June 2024					
Revenue	3,039.3	876.8	-	(394.5)	3,521.6
EBITDA	206.2	(18.2)	(25.4)	2.5	165.1
Depreciation, amortisation and impairment					(90.8)
EBIT					74.3
Interest income					1.6
Interest expense					(36.1)
Profit before income tax					39.8
Income tax expense					(9.3)
Profit for the year					30.5
Impact of current year events on profit before tax					
Canberra sale					13.2
Restructuring					(5.3)
Betta Milk acquisition					(9.7)

Notes to the Financial Statements

2. Segment information (cont.)

Prior period comparative segment information as follows:

	Branded \$m	Bulk \$m	Unallocated overheads \$m	Inter-segment eliminations \$m	Group total \$m
Year ended 30 June 2023					
Revenue	2,880.7	797.4	-	(302.1)	3,376.0
EBITDA	139.4	38.3	(32.3)	(1.3)	144.1
Depreciation, amortisation and impairment					(377.8)
EBIT					(233.7)
Interest income					1.0
Interest expense					(24.1)
Loss before income tax					(256.8)
Income tax benefit					26.9
Loss for the year					(229.9)
Impact of prior year events on loss before tax					
Vegemite Way					16.2
Impairment					(275.9)
Restructuring					(26.3)
Other costs					(4.8)
Tax consolidation					(1.2)

C. Other segment information

Segment revenue

Sales between segments are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

Total sales by segment are as follows:

	CONSOLIDATED	
	2024 \$m	2023 \$m
Sales to external customers by segment		
Branded	3,039.3	2,880.7
Bulk	482.3	495.3
Total sales to external customers	3,521.6	3,376.0

Segment sales by destination are as follows:

	CONSOLIDATED	
	2024 \$m	2023 \$m
Sales to external customers in Australia		
Branded	2,782.0	2,649.8
Bulk	190.3	212.5
Total sales to external customers in Australia	2,972.3	2,862.3
Sales to external customers in other countries		
Branded	257.3	230.9
Bulk	292.0	282.8
Total sales to external customers in other countries	549.3	513.7
Total sales to external customers	3,521.6	3,376.0

3. Earnings per share

	CONSOLIDATED	
	2024 Cents	2023 Cents
Earnings per share for profit/(loss) from continuing operations attributable to ordinary equity holders of the parent:		
Basic earnings per share	10.0	(75.6)
Diluted earnings per share	9.9	(75.3)
	2024 Number	2023 Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	304,518,598	303,851,779
Adjustments for calculation of diluted earnings per share:		
Contingent employee incentives	1,730,448	1,390,248
Shares used as the denominator in calculating diluted earnings per share	306,249,046	305,242,027
	2024 \$m	2023 \$m
Profit/(loss) attributable to the ordinary equity holders of the Group used in calculating earnings per share	30.5	(229.9)

4. Dividends to shareholders

	CONSOLIDATED	
	Full year 2024 \$m	Full year 2023 \$m
Recognised amounts:		
2024 Interim dividend of 4.00 cents	12.2	-
2023 Final dividend of 3.00 cents	9.1	-
2023 Interim dividend of 4.50 cents	-	13.7
2022 Final dividend of 5.50 cents	-	16.7
Total dividend	21.3	30.4
Issue of shares under the DRP	(1.9)	(3.6)
Net cash outflow	19.4	26.8
Unrecognised amounts:		
2024 Final dividend of 4.00 cents	12.2	-
2023 Final dividend of 3.00 cents	-	9.1

The dividends paid in 2024 and 2023 were fully franked. The 2024 final dividend will be fully franked.

Notes to the Financial Statements

4. Dividends to shareholders (cont.)

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Value of the dividend franking account	113.5	96.0

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.

5. Revenue and other income

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Sale of goods	3,468.7	3,316.0
Services	52.9	60.0
Total revenue	3,521.6	3,376.0
Other revenue		
Royalties	11.6	11.2
Other	0.1	0.4
Total other revenue	11.7	11.6
Other income		
Gain on sale and leaseback	15.4	16.2
Gain from early lease termination	-	1.3
Interest income	1.6	1.0
Rental income	0.2	0.5
Gain on sale of property, plant and equipment	1.3	0.4
Insurance proceeds	3.6	-
Other	4.5	5.0
Total other income	26.6	24.4

The Group recognises the majority of its revenue from contracts with customers for the transfer of goods at a point in time. Refer to note 34e for further explanation of the Group's revenue recognition policy.

Revenues of approximately \$1.2 billion (2023: \$1.3 billion) are concentrated in a small number of external customers. These revenues are attributed to the Branded and Bulk segments.

6. Expenses

Profit before income tax includes the following specific expenses:

	Notes	CONSOLIDATED	
		2024 \$m	2023 \$m
(Decrease)/increase in inventory provisions		(13.6)	9.4
Decrease in bad and doubtful debts provision		(0.2)	(0.8)
Trade Receivables Facility costs		7.0	6.3
Depreciation and amortisation:			
– Depreciation of property, plant and equipment	11	49.7	62.5
– Depreciation of right-of-use assets	12	24.4	23.9
– Amortisation of intangible assets	13	14.0	15.5
Total depreciation and amortisation		88.1	101.9
Impairment:			
– Impairment of property, plant and equipment	11	2.7	151.5
– Impairment of intangible assets	13	-	117.9
– Impairment of right-of-use assets	12	-	1.5
– Impairment of inventory maintenance spares		-	5.0
Total asset impairment		2.7	275.9
Employee benefit expense:			
– Restructuring expense		6.7	19.5
– Defined contribution superannuation expense		42.4	40.0
– Other employee benefits expense		474.5	458.8
Total employee benefit expense		523.6	518.3
Finance costs:			
– Interest on bank loans		20.5	15.6
– Lease liability interest	12	12.2	5.2
– Other finance costs		3.4	3.3
Total finance costs		36.1	24.1

7. Income tax

The major components of income tax expense in the Consolidated Statement of Comprehensive Income are set out below:

	CONSOLIDATED	
	2024 \$m	2023 \$m
A. INCOME TAX EXPENSE		
Current tax expense	(14.4)	(16.6)
Deferred tax benefit from the origination and reversal of temporary differences	8.7	41.0
Adjustments recognised in the current year in relation to tax of prior years	(3.6)	2.5
Total income tax (expense)/benefit	(9.3)	26.9

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.

Notes to the Financial Statements

7. Income tax (cont.)

	CONSOLIDATED	
	2024 \$m	2023 \$m
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX EXPENSE		
Profit/(loss) from continuing operations before income tax	39.8	(256.8)
Tax (expense)/benefit at the Australian tax rate of 30% (2023 – 30%)	(11.9)	77.0
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	1.0	0.1
Non-deductible expenses	(1.7)	(36.7)
Other assessable income	(0.7)	(1.3)
	(1.4)	(37.9)
Tax incentives	0.7	1.0
Adjustments in respect of prior year	(3.6)	2.5
Tax consolidation adjustments ⁽¹⁾	5.1	(19.6)
Previously unrecognised capital losses used / deferred tax movements now recognised	1.8	1.8
Previously unrecognised tax losses used to reduce deferred tax expense	-	2.1
Total income tax (expense)/benefit	(9.3)	26.9

⁽¹⁾ Reflects the reset of the tax cost base of revenue assets and capital assets associated with the formation of the income tax consolidated group.

Tax consolidation

Bega Cheese Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing and funding agreement which operates to manage joint and several liability for group tax liabilities amongst group members, as well as enabling group members to leave the group clear of future group tax liabilities. The agreement also provides that each member of the tax consolidated group pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to Bega Cheese Limited in the financial statements of subsidiaries and are settled as soon as practicable after lodgement of the consolidated tax return and payment of the tax liability.

Key estimate: Tax cost base of revenue and capital assets

Upon formation of the income tax consolidated group, the tax cost base of revenue and capital assets were required to be reset under Australian taxation legislation which is calculated in part by reference to independent market valuations. In performing these valuations, certain judgements and assumptions are made such as future earnings and discount rates.

The tax cost base of revenue and capital assets was reset on 1 July 2022 giving rise to a \$19.6 million net debit to income tax expense with corresponding changes to current and deferred tax balances as reflected in FY2023. Following finalisation of independent valuations, the tax resetting process was finalised in FY2024 resulting in a \$5.1 million net credit to income tax expense. The judgements and assumptions adopted in the independent market valuations are subject to review by tax authorities, and any change could impact income tax expense and deferred tax balances recognised in the year ended 30 June 2024.

	CONSOLIDATED	
	2024 \$m	2023 \$m
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:		
Movement in hedging reserve	(0.3)	0.4
Total amount recognised through other comprehensive income	(0.3)	0.4

7. Income tax (cont.)

	CONSOLIDATED	
	2024	2023
	\$m	\$m
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 – net of adjustment in respect of prior year	(0.7)	(0.8)
Total amount recognised through equity	(0.7)	(0.8)

E. MOVEMENTS IN DEFERRED TAX

Movements in deferred tax in the year are detailed below:

	Opening balance	Acquisition	Charged to income	Charged to equity	Closing balance
Consolidated	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2024					
Deferred tax assets					
Doubtful debts	1.2	-	0.3	-	1.5
Sundry accrued expenses	2.6	-	2.5	-	5.1
Black hole expenditure	0.8	-	(0.2)	-	0.6
Employee provisions	33.2	0.1	1.1	-	34.4
Other provisions	11.8	0.6	(6.1)	-	6.3
Leased assets	11.2	0.1	2.7	-	14.0
Property, plant and equipment	2.9	-	15.0	-	17.9
Share issue costs	1.4	-	-	(0.7)	0.7
Other	0.3	-	(0.2)	-	0.1
Total deferred tax assets	65.4	0.8	15.1	(0.7)	80.6
Deferred tax (liabilities)					
Brand names	(53.9)	-	0.4	-	(53.5)
Software	(7.0)	-	0.3	-	(6.7)
Inventories	5.6	-	(6.5)	-	(0.9)
Fair value of derivatives	0.1	-	-	(0.3)	(0.2)
Other	(2.4)	-	(0.6)	-	(3.0)
Total deferred tax (liabilities)	(57.6)	-	(6.4)	(0.3)	(64.3)
Total deferred tax	7.8	0.8	8.7	(1.0)	16.3

Notes to the Financial Statements

7. Income tax (cont.)

E. MOVEMENTS IN DEFERRED TAX (cont.)

Consolidated	Opening balance \$m	Charged to income \$m	Charged to equity \$m	Closing balance \$m
Year ended 30 June 2023				
Deferred tax assets				
Doubtful debts	0.2	1.0	-	1.2
Inventories	0.4	5.2	-	5.6
Sundry accrued expenses	3.9	(1.3)	-	2.6
Black hole expenditure	1.7	(0.9)	-	0.8
Employee provisions	29.8	3.4	-	33.2
Other provisions	4.1	7.7	-	11.8
Leased assets	1.0	10.2	-	11.2
Property, plant and equipment	(13.3)	16.2	-	2.9
Share issue costs	2.2	-	(0.8)	1.4
Fair value of derivatives	(0.3)	-	0.4	0.1
Tax losses	8.4	(8.4)	-	-
Other	0.5	(0.2)	-	0.3
Total deferred tax assets	38.6	32.9	(0.4)	71.1
Deferred tax (liabilities)				
Investments	(4.8)	4.8	-	-
Brand names	(56.1)	2.2	-	(53.9)
Software	(9.1)	2.1	-	(7.0)
Other	(1.4)	(1.0)	-	(2.4)
Total deferred tax (liabilities)	(71.4)	8.1	-	(63.3)
Total deferred tax	(32.8)	41.0	(0.4)	7.8

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Deferred tax assets	16.3	7.8
Net deferred tax assets	16.3	7.8

Unused tax losses for which no deferred tax asset has been recognised as at 30 June 2024 are \$30.1 million (2023: \$30.4 million), the potential tax benefit of this at 30% is \$9.0 million (2023: \$9.1 million). Unused capital losses for which no deferred tax asset has been recognised as at 30 June 2024 are \$6.2 million (2023: \$6.4 million), the potential tax benefit of this at 30% is \$1.9 million (2023: \$1.9 million).

	CONSOLIDATED	
	2024	2023
	\$m	\$m
F. INCOME TAXES PAID		
Income taxes paid is included in the Consolidated Statement of Cash Flows as follows:		
Income taxes paid included in operating activities	(25.8)	(8.6)
Total income taxes paid	(25.8)	(8.6)

8. Trade and other receivables

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Current assets		
Trade receivables	320.0	276.1
Allowance for impairment of receivables	(5.5)	(5.7)
Net trade receivables	314.5	270.4
Goods and services tax (GST) receivable	18.5	23.3
Accrued revenue	1.1	1.8
Amounts receivable under Trade Receivables Facility	13.2	6.7
Other debtors	3.6	3.9
Total trade and other receivables	350.9	306.1

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. 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 of collecting 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 34.

Accrued revenue primarily relates to receivables from customers under product supply contracts whereby the revenue has yet to be invoiced.

The Group utilises a Trade Finance Facility ('Trade Receivables Facility') with the Coöperatieve Rabobank U.A. (Australia Branch) (Rabobank) whereby it may purchase receivables from the Group at a discount. This facility is utilised by the Group as a primary source of working capital. Most eligible receivables sold to Rabobank are insured by the Group with the Group retaining a continuing involvement asset of up to 10%, representing its maximum exposure under the facility. Up to 90% of the value of receivables sold by the Group into this facility are derecognised as an asset as the contractual rights to cashflows from these receivables have expired on acceptance of the sale to Rabobank. The Trade Receivables Facility is a \$250.0 million facility with \$100.0 million on a fully committed basis and a maturity date of 31 August 2025. The funded value of the Group's Trade Receivables Facility was \$200.8 million as at 30 June 2024 (2023: \$193.5 million).

9. Other assets

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Current assets		
Prepayments	11.6	11.7
Trade Receivables Facility continuing involvement asset	14.8	15.1
Other assets	2.2	2.6
Total current other assets	28.6	29.4

Notes to the Financial Statements

10. Inventories

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Raw materials and work in progress	150.7	211.4
Finished goods	186.2	213.9
Maintenance spares	52.8	48.6
Provisions	(31.6)	(45.2)
Carrying amount of inventories at the lower of cost or net realisable value	358.1	428.7

The write-down of inventories to net realisable value (NRV) requires judgement in assessing future commodity prices, other market conditions, product shelf life and provisions for quality. From time to time certain inventories are sold below cost, for example, when global commodity prices are lower than the cost of production in the Bulk segment. In these situations, the NRV expense incurred from writing down the value of inventories is recognised in cost of sales in the Consolidated Statement of Comprehensive Income.

11. Property, plant and equipment

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Land and buildings		
At cost	416.9	417.7
Accumulated depreciation and impairment	(90.4)	(66.7)
Total land and buildings	326.5	351.0
Plant and equipment		
At cost	918.9	879.4
Accumulated depreciation and impairment	(612.5)	(589.5)
Total plant and equipment	306.4	289.9
Construction in progress	40.5	46.3
Total property, plant and equipment	673.4	687.2

The movements in property, plant and equipment are:

Consolidated	Notes	Construction in progress \$m	Land and buildings \$m	Plant and equipment \$m	Total \$m
Year ended 30 June 2024					
Balance at the beginning of the financial year		46.3	351.0	289.9	687.2
Acquisitions from business combinations	26	-	-	3.4	3.4
Capital expenditure		65.4	-	-	65.4
Disposals		-	(7.0)	(0.5)	(7.5)
Depreciation	6	-	(11.2)	(38.5)	(49.7)
Impairment	6	-	-	(2.7)	(2.7)
Assets classified as held for sale		-	(13.6)	(3.4)	(17.0)
Transfers		(71.2)	7.3	58.2	(5.7)
Balance at the end of the financial year		40.5	326.5	306.4	673.4
Year ended 30 June 2023					
Balance at the beginning of the financial year		51.3	369.0	423.7	844.0
Capital expenditure		69.9	-	-	69.9
Disposals		-	(4.2)	(0.5)	(4.7)
Depreciation	6	-	(11.6)	(50.9)	(62.5)
Impairment	6	-	(11.0)	(140.5)	(151.5)
Assets classified as held for sale		-	(0.4)	-	(0.4)
Transfers		(74.9)	9.2	58.1	(7.6)
Balance at the end of the financial year		46.3	351.0	289.9	687.2

11. Property, plant and equipment (cont.)

Assets held for sale

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Assets held for sale		
Land and buildings	13.9	1.4
Plant and equipment	3.4	-
Total assets held for sale	17.3	1.4

As disclosed in note 30, assets held for sale include land and buildings of \$7.6 million and plant and equipment of \$3.4 million relating to the Leeton juice extraction facility. After the reporting date the Group entered into a binding agreement to sell these assets and completion is expected to occur in the second quarter of FY2025. The remaining amounts relate to various unutilised properties across the Group's property portfolio which are expected to be sold in the next 12 months.

12. Leases

The Consolidated Balance Sheet shows the following amounts relating to leases:

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Right-of-use assets		
Properties	133.0	143.9
Equipment	12.4	13.2
Motor vehicles	5.4	4.3
Total right-of-use assets	150.8	161.4

Additions and remeasurements to the right-of-use assets during the 2024 financial year were \$14.3 million (2023: \$91.6 million).

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Lease liabilities		
Current	23.9	17.2
Non-current	168.3	180.9
Total lease liabilities	192.2	198.1

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

	Notes	CONSOLIDATED	
		2024	2023
		\$m	\$m
Depreciation charge of right-of-use assets	6	24.4	23.9
Impairment of right-of-use assets	6	-	1.5
Interest expense (included in finance costs)	6	12.2	5.2

The total cash outflow for leases in 2024 was \$33.6 million (2023: \$25.0 million).

Notes to the Financial Statements

13. Intangible assets

	CONSOLIDATED	
	2024 \$m	2023 \$m
Brands	177.6	177.6
Water rights	4.3	5.6
Software	54.3	50.9
Goodwill	239.6	229.5
Other	0.8	0.9
Total intangible assets	476.6	464.5

Consolidated	Notes	Brands \$m	Software \$m	Water rights \$m	Goodwill \$m	Other \$m	Total \$m
Year ended 30 June 2024							
Balance at the beginning of the financial year		177.6	50.9	5.6	229.5	0.9	464.5
Acquisitions through business combinations	26	-	-	-	10.1	-	10.1
Additions		-	11.6	-	-	-	11.6
Disposals		-	-	(1.3)	-	-	(1.3)
Amortisation	6	-	(13.9)	-	-	(0.1)	(14.0)
Transfers		-	5.7	-	-	-	5.7
Balance at the end of the financial year		177.6	54.3	4.3	239.6	0.8	476.6
Year ended 30 June 2023							
Balance at the beginning of the financial year		177.6	56.2	5.6	347.4	1.3	588.1
Additions		-	2.2	-	-	-	2.2
Amortisation	6	-	(15.1)	-	-	(0.4)	(15.5)
Impairment	6	-	-	-	(117.9)	-	(117.9)
Transfers		-	7.6	-	-	-	7.6
Balance at the end of the financial year		177.6	50.9	5.6	229.5	0.9	464.5

Brands and other identifiable intangible assets

Brands and other identifiable intangible assets purchased by the 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 3 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 are indefinite life identifiable intangible assets and were acquired as part of the acquisition of the Strathmerton and Peanut Company of Australia (PCA) facilities. Water rights are attributable to the Branded segment. Impairment was tested by reference to third party market valuations based on recent transactions and related data.

Software

Software as a service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can control to determine whether an intangible asset is present. If the Group cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred.

13. Intangible assets (cont.)

Costs incurred to obtain access to the cloud provider's application software are generally recognised as operating expenses when the services are received.

Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing for on-premise are capitalised if it meets the recognition criteria for an intangible asset.

Certain internal and external costs directly incurred in acquiring and developing software are capitalised if they meet the recognition criteria of an intangible asset and are amortised on a straight-line basis over their estimated useful lives, being three to ten years. Capitalised costs are tested for impairment when an indicator of impairment exists.

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.

Cash generating units

The Group's CGUs are the Bulk CGU and the Branded CGU.

The Bulk CGU is equivalent to the Bulk operating segment. It is comprised of the assets of the Tatura, Lagoon St (Bega), and Koroit manufacturing sites. The cash inflows of the Bulk CGU are driven by available milk volumes, which are utilised across all manufacturing sites in the CGU and can be diverted to the site that can produce the highest return on that milk. The CGU does not hold any indefinite life intangible assets. An impairment test of the CGU's assets was not required to be performed as it was assessed that no indicators of impairment were present.

During the year, management has reviewed its cash generating units and determined that the Bega Dairy and Drinks and the Bega Foods CGUs are now combined to form a single Branded CGU. Management has deemed the Branded CGU to be the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The organisational restructure in October 2023, current projects within the Group's operating systems, and the strategic direction of the Group have all increased the interdependencies of cash inflows being generated from the collective assets in the Branded segment, which has led to this decision. The cash inflows of the Branded CGU are driven by the sale of goods to shared customers, which are produced at shared manufacturing facilities.

The Branded CGU is equivalent to the Branded operating segment. It is comprised of the Lion Dairy and Drinks business, acquired in January 2021 and renamed Bega Dairy and Drinks, the Mondelēz Grocery Business, acquired in July 2017 and renamed Bega Foods, and assets of the Group's third party contract manufacturing sites. It includes goodwill of \$239.6 million, and capitalised brands of \$177.6 million. The core business of the Branded CGU is the manufacture, marketing, sale and distribution of branded white milk, milk-based beverages, yoghurt, chilled juices, spreads and other culinary products to domestic and international customers.

The goodwill from the Betta Milk asset acquisition is tested for impairment within the Branded CGU, as the acquired business has been fully integrated into the Branded segment and does not constitute a CGU in its own right. The Betta Milk brand of products is manufactured and distributed across the Group's existing network, achieving synergies by better utilising the existing assets of the Branded segment. The cash flows generated from these products are included within existing category and channel reporting used by the Branded segment.

Branded impairment assessment

The Branded CGU is subject to annual impairment testing as it holds indefinite life intangible assets. Impairment testing requires a high degree of judgement in assessing whether the carrying value of assets is supported by their recoverable amount. The recoverable amount of the Branded CGU has been determined using the 'value in use' approach.

In calculating the recoverable amount of the Branded CGU a discounted cash flow model was utilised forecasting cash flows for the period FY2025 to FY2029. A number of assumptions were made in respect of matters which are not certain, including the following key assumptions:

- a long-term nominal growth rate of 2.0% beyond the forecast period
- with advice from independent experts, applied a post-tax discount rate of 7.9%
- improvements in sales mix and volume and price increases are forecast in FY2025 and are expected to largely offset the increase in costs of production inputs and the supply chain. The cash flow model assumes an EBITDA increase by a CAGR of 3.1% between FY2025 – FY2029, which includes the impact of assumed sales volume and price increases and the impact of Bega's recently announced farm gate milk prices and other key production inputs.

Based on sensitivity analysis, a reasonably possible change in any single assumption would not result in the recoverable amount of the Branded CGU being lower than its carrying value as at 30 June 2024.

Notes to the Financial Statements

14. Trade and other payables

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Current liabilities		
Trade payables	295.1	300.7
Accrued charges and sundry creditors	158.3	139.0
Amounts payable under Trade Receivables Facility	105.0	70.3
Total trade and other payables	558.4	510.0

The average credit period on purchases is between 30 and 60 days, 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 the 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 the 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.

15. Other liabilities

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Current liabilities		
Deferred income	0.6	1.9
Trade Receivables Facility continuing involvement liability	14.8	15.1
Other financial liabilities	0.8	0.3
Total current other liabilities	16.2	17.3
Non-current liabilities		
Other financial liabilities	4.7	4.4
Total non-current other liabilities	4.7	4.4
Total other liabilities	20.9	21.7

16. Borrowings

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Non-current – at amortised cost		
Secured term loans	228.0	270.0
Borrowing costs	(1.3)	(1.0)
Total non-current borrowings	226.7	269.0
Total borrowings	226.7	269.0

For further details on borrowings and facilities, see note 22d.

17. Provisions

	CONSOLIDATED	
	2024 \$m	2023 \$m
Current liabilities		
Employee benefits	93.6	96.2
Restructuring provision	6.7	19.5
Restoration provision	0.6	0.5
Other provisions	2.9	4.1
Total current provisions	103.8	120.3
Non-current liabilities		
Employee benefits	5.9	5.9
Restoration provision	10.9	10.6
Total non-current provisions	16.8	16.5
Total provisions	120.6	136.8

Consolidated	Notes	Restructuring provision \$m	Restoration provision \$m	Other provisions \$m	Total \$m
Year ended 30 June 2024					
Balance at the beginning of the financial year		19.5	11.1	4.1	34.7
Acquisitions through business combinations	26	-	0.1	2.0	2.1
Charged to profit or loss		6.7	0.3	-	7.0
Charged to balance sheet		-	0.2	-	0.2
Amounts used during the year		(19.5)	(0.2)	(3.2)	(22.9)
Balance at the end of the financial year		6.7	11.5	2.9	21.1
Year ended 30 June 2023					
Balance at the beginning of the financial year		1.6	11.2	11.5	24.3
Charged to profit or loss		19.0	-	1.7	20.7
Credited to balance sheet		-	(0.1)	-	(0.1)
Amounts used during the year		(1.1)	-	(9.1)	(10.2)
Balance at the end of the financial year		19.5	11.1	4.1	34.7

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 \$93.6 million (2023: \$96.2 million) 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.

Notes to the Financial Statements

18. Share capital

A. Share capital

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Share capital – ordinary shares fully paid	882.2	881.0

B. Movement in share capital value and number of shares

	Ordinary shares number '000	Ordinary shares \$m
Ordinary shares on issue at 1 July 2022	303,283	878.2
Shares issued under Dividend Reinvestment Plan	965	3.6
Tax effect of prior period share issue transaction costs	-	(0.8)
Ordinary shares on issue at 30 June 2023	304,248	881.0
Ordinary shares on issue at 1 July 2023	304,248	881.0
Shares issued under Dividend Reinvestment Plan	528	1.9
Tax effect of prior period share issue transaction costs	-	(0.7)
Ordinary shares on issue at 30 June 2024	304,776	882.2

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.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital. There are no different rights, preferences or restrictions among the class of ordinary shares.

19. Reserves

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Share-based payment reserve	4.8	4.5
Capital profits reserve	34.0	34.0
Hedging reserve	0.1	(0.3)
Foreign currency translation reserve	0.1	0.1
Transactions with non-controlling interests reserve	(12.6)	(12.6)
Total reserves	26.4	25.7

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 as a result of historical capital transactions.

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 34.

The foreign currency translation reserve is used to convert the results of the parent company's foreign subsidiaries to its reporting currency.

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 Industries Pty Ltd.

20. Notes to the Consolidated Statement of Cash Flows

	CONSOLIDATED	
	2024 \$m	2023 \$m
A. RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	65.6	66.4
Balance per statement of cash flow	65.6	66.4
B. RECONCILIATION OF PROFIT OR (LOSS) FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) after income tax	30.5	(229.9)
Adjustments for non-cash, investing and financing items:		
Depreciation of non-current assets	74.1	86.4
Amortisation of intangible assets	14.0	15.5
Profit on sale of non-current assets	(22.3)	(16.6)
Gain from early lease termination	-	(1.3)
Impairment of tangible assets	2.7	151.5
Impairment of intangible assets	-	117.9
Impairment of right-of-use assets	-	1.5
Impairment of inventory spares	-	5.0
Fair value adjustment to derivatives	(0.9)	0.6
Non-cash employee benefit – share-based payments	0.3	(0.4)
Share of loss of equity accounted investments	-	0.8
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other debtors and GST recoverable	(44.1)	(33.0)
Inventories	70.6	(116.1)
Prepayments	0.1	(0.9)
Current and deferred tax assets	(8.5)	34.1
Increase/(decrease) in liabilities:		
Trade and other payables	42.1	49.5
Provision for income taxes payable excluding taxation on investments	(8.1)	(69.0)
Changes in provisions	(16.2)	12.6
Net cash flow from operating activities	134.3	8.2

Risk

21. 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 Group 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, and note 13 – intangible assets.

22. Financial risk management

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as 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 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 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 and commodity price 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 interest rate movements and commodity prices. 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 and Euro. The risk is measured using sensitivity analysis and cash flow forecasting. Forward contracts and options are currently 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.

Commodity price risk

Commodity price risk in the Group primarily arises from price fluctuations and the availability of raw materials and other manufacturing inputs (e.g. crude oil, sugar). The Group may enter into derivative transactions to limit these risks. Hedging activities are evaluated regularly to align with Group expectations about the price changes and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

It is the policy of the Group that it may enter into commodity forward contracts hedges to manage the commodity price risk associated with anticipated purchase transactions out to 12 months. In the current year, the Group has designated certain commodity forward contracts as a cash flow hedge of highly probable purchases.

22. Financial risk management (cont.)

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

	Contract amount \$m	Contract amount in foreign currency m	Weighted average forward rate	Market value assets \$m	Market value liabilities \$m
Consolidated					
Year ended 30 June 2024					
Cash flow hedges					
US Dollar	27.3	18.0	0.6592	0.4	-
Euro	4.2	2.5	0.5979	-	(0.2)
Japanese Yen	2.9	287.7	99.8675	0.2	-
Held for trading					
US Dollar	23.1	15.4	0.6662	-	(0.1)
	Contract amount \$m	Unit – Ltr m	USD per Ltr \$	Market value assets \$m	Market value liabilities \$m
Consolidated					
Commodity hedges					
US Dollar	-	10.6	0.7	0.6	-
	Contract amount \$m	Contract amount in foreign currency m	Weighted average forward rate	Market value assets \$m	Market value liabilities \$m
Consolidated					
Year ended 30 June 2023					
Cash flow hedges					
US Dollar	11.3	7.5	0.6656	-	-
Euro	1.3	0.9	0.6341	0.1	-
Japanese Yen	2.0	185.6	90.7873	0.1	-
Held for trading					
US Dollar	21.4	13.9	0.6508	-	(0.5)
	Contract amount \$m	Unit – Ltr m	USD per Ltr \$	Market value assets \$m	Market value liabilities \$m
Consolidated					
Commodity hedges					
US Dollar	-	6.1	0.6	-	(0.3)

Group sensitivity

The Group sensitivity for cash flow exposures is based on the financial instruments held on 30 June 2024, 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 2023 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 sensitivity on the Group's hedging instruments is detailed in the following table:

	CONSOLIDATED	
	2024 \$m	2023 \$m
Equity		
AUD\$ strengthens 10% – increase	2.0	0.9
AUD\$ weakens 10% – decrease	(2.0)	(0.8)

Notes to the Financial Statements

22. 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. The Group regularly monitors and reviews the appropriateness to use interest rate swaps to manage interest rate risk. There were no interest rate swaps in place at 30 June 2023 or 2024. All borrowings were denominated in Australian dollars during 2023 and 2024.

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

	CONSOLIDATED	
	2024 \$m	2023 \$m
Fixed rate instruments		
Liabilities		
Lease liabilities	(192.2)	(198.1)
Variable rate instruments		
Assets		
Cash and cash equivalents	65.6	66.4
Liabilities		
Bank loans	(228.0)	(270.0)
Net exposure to interest rate risk on variable rate instruments	(162.4)	(203.6)

An analysis by maturities is provided in note 22e.

Interest rate sensitivity

At 30 June 2024, 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 \$2.7 million higher/(lower) (2023: \$2.9 million higher/(lower)).

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 22f. 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 customers and some Australian customers.

22. Financial risk management (cont.)

The maximum exposure to credit risk is as follows:

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Cash and cash equivalents	65.6	66.4
Trade receivables	314.5	270.4
Amounts receivable under Trade Receivables Facility	13.2	6.7
Accrued revenue	1.1	1.8
Other receivables	22.1	27.2
Fair value derivatives	1.2	0.2
Total credit risk exposure	417.7	372.7

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. The 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. The expected impairment loss calculation for trade receivables considers the impact of past events, and exercises judgment over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

	Current	More than 30	More than 60	More than 90	Total
	\$m	days past due	days past due	days past due	\$m
		\$m	\$m	\$m	
Consolidated					
Year ended 30 June 2024					
Expected loss rate	0.1%	-	-	47.2%	
Gross carrying amount – trade receivables	304.9	2.2	1.9	11.0	320.0
Loss allowance	0.3	-	-	5.2	5.5
Year ended 30 June 2023					
Expected loss rate	-	1.7%	5.9%	35.0%	
Gross carrying amount – trade receivables	250.2	6.3	4.4	15.2	276.1
Loss allowance	-	0.1	0.3	5.3	5.7

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Opening loss allowance	5.7	6.5
Decrease in loss allowance recognised in profit or loss during the year	(4.3)	(0.8)
Receivables written off during the year as uncollectible	4.1	-
Closing loss allowance	5.5	5.7

Notes to the Financial Statements

22. Financial risk management (cont.)

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.

D. Financing arrangements

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

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Undrawn facilities expiring within one year	-	100.0
Undrawn facilities expiring beyond one year	372.0	180.0
Drawn facilities	228.0	270.0
Total facilities	600.0	550.0
Total facilities are represented by:		
Common Terms Deed – Revolving Cash Advance Facility maturing 2 July 2027	270.0	-
Common Terms Deed – Revolving Cash Advance Facility maturing 17 February 2027	180.0	-
Syndicated Facility – Revolving Cash Advance Facility maturing 17 February 2025	-	270.0
Syndicated Facility – Revolving Cash Advance Facility maturing 17 February 2027	-	180.0
Inventory Facility – maturing 25 August 2025	150.0	100.0
Total facilities	600.0	550.0

The Group's Syndicated Debt Facility was transitioned to Common Terms Deed Debt Facilities in June 2024. The Common Terms Deed Debt Facilities established two aggregate facilities: Facility 1 which has an aggregate limit of \$270 million maturing in July 2027 and Facility 2 which has an aggregate limit of \$180 million maturing in February 2027.

In addition to the Common Terms Deed Debt Facilities, the Group continues to operate a stand-alone Inventory Facility (matures on 25 August 2025) which is not subject to cross-charges or cross-guarantees, except as disclosed in note 24. The Inventory Facility has an individual limit of \$150 million and a combined aggregate limit of \$350 million with the Trade Receivables Facility as disclosed in note 8.

The Common Terms Deed Debt Facilities and Inventory Facility are secured by equitable mortgages and floating charges on the assets of Bega Cheese Limited and its subsidiaries subject to the Deed of Cross Guarantee as disclosed in note 25.

Under the Common Terms Deed Debt Facilities, the Group is required to comply with the following covenants:

- the leverage ratio is not greater than 3.5 times;
- the interest cover ratio must be equal to or greater than 2.0 times, increasing to 2.5 times from 1 July 2025; and
- shareholder funds must be equal or greater than \$750 million.

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

22. Financial risk management (cont.)

E. 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 \$m	1-2 years \$m	2-5 years \$m	>5 years \$m	Total contractual cash flows \$m	Carrying amount \$m
At 30 June 2024						
Non-derivatives						
Lease liabilities	(33.8)	(26.2)	(63.8)	(156.6)	(280.4)	(192.2)
Secured bank loans	(11.7)	(11.2)	(231.3)	-	(254.2)	(226.7)
Trade and other payables	(558.4)	-	-	-	(558.4)	(558.4)
Derivatives						
Inflows	57.3	-	-	-	57.3	1.2
Outflows	(56.9)	-	-	-	(56.9)	(0.3)
Total financial liabilities	(603.5)	(37.4)	(295.1)	(156.6)	(1,092.6)	(976.4)
At 30 June 2023						
Non-derivatives						
Lease liabilities	(29.5)	(29.5)	(63.5)	(175.6)	(298.1)	(198.1)
Secured bank loans	(14.6)	(284.3)	-	-	(298.9)	(269.0)
Trade and other payables	(510.0)	-	-	-	(510.0)	(510.0)
Derivatives						
Inflows	35.6	-	-	-	35.6	0.2
Outflows	(35.9)	-	-	-	(35.9)	(0.8)
Total financial liabilities	(554.4)	(313.8)	(63.5)	(175.6)	(1,107.3)	(977.7)

F. 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 approximate their fair values. All fair value instruments are measured using quoted prices from active markets where available.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level under the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

22. 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 period:

Consolidated	Level 2	Total
	\$m	\$m
At 30 June 2024		
Assets		
Foreign currency forwards – cash flow hedges	0.6	0.6
Commodity hedges – cash flow hedges	0.6	0.6
Total assets	1.2	1.2
Liabilities		
Held for trading	(0.1)	(0.1)
Foreign currency forwards – cash flow hedges	(0.2)	(0.2)
Total liabilities	(0.3)	(0.3)
At 30 June 2023		
Assets		
Foreign currency forwards – cash flow hedges	0.2	0.2
Total assets	0.2	0.2
Liabilities		
Held for trading	(0.5)	(0.5)
Commodity hedges – cash flow hedges	(0.3)	(0.3)
Total liabilities	(0.8)	(0.8)

23. 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	
	2024	2023
	\$m	\$m
Borrowings	226.7	269.0
Add back: borrowing costs	1.3	1.0
Cash and cash equivalents	(65.6)	(66.4)
Net debt	162.4	203.6
Total equity	1,014.8	1,003.7
Net debt to equity ratio	16%	20%

Group structure

24. Parent entity financial information

A. Summary financial information

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

	BEGA CHEESE	
	2024 \$m	2023 \$m
Current assets	441.0	635.4
Total assets	1,780.1	1,995.4
Current liabilities	(470.7)	(688.5)
Total liabilities	(794.1)	(1,053.3)
Net assets	986.0	942.1
Shareholder's equity		
Issued capital of parent entity	885.5	884.4
Reserves		
Share-based payment reserve	2.1	1.8
Capital profits reserve	32.6	32.6
Hedging reserve	0.3	(0.1)
Retained earnings	65.5	23.4
Total equity	986.0	942.1
Profit/(loss) after tax for the year	63.4	(47.3)
Total comprehensive income	63.4	(47.3)

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 2024 or 30 June 2023 except as disclosed in note 28.

D. Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2024, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$3.8 million (2023: \$5.3 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

Notes to the Financial Statements

25. Subsidiaries, joint arrangements and associates

Consolidated	Country of incorporation	Nature of relationship	2024 % of ownership interest	2023 % of ownership interest
180 Nutrition Pty Ltd	Australia	Subsidiary	100	100
BDD Australia Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
BDD Foods Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
BDD Milk Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Bega Cheese Benefit Fund Ltd	Australia	Subsidiary	100	100
Bega Cheese Investments Pty Ltd	Australia	Subsidiary	100	100
Bega Dairy and Drinks Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Bega Dairy and Drinks Finance Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Bega Dairy and Drinks Services Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Bega Insurance Pte Ltd	Singapore	Subsidiary	100	100
Berri Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Berri Asia Sdn Bhd	Malaysia	Subsidiary	100	100
Blowflex Mouldings Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Capitol Chilled Foods (Australia) Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Dairy and Drinks Singapore Pte Ltd	Singapore	Subsidiary	100	100
Dairy Farmers Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Dairy Vale Foods Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Malanda Dairyfoods Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
National Foods Holdings Ltd ⁽¹⁾	Australia	Subsidiary	100	100
National Foods Beverage Holdings Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Peanut Company of Australia Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
QUD Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Shanghai Great Lion Food & Beverages Management Co Ltd	China	Subsidiary	100	100
Tatura Milk Industries Pty Ltd ⁽¹⁾	Australia	Subsidiary	100	100
Tatura Cheese Industries Pty Ltd	Australia	Subsidiary	100	100
CBH Fresh Ltd	Australia	Joint venture	11.5	11.5

⁽¹⁾ A party to Deed of Cross Guarantee dated 21 February 2021.

26. Business combinations

On 1 December 2023, the Group completed the acquisition of the businesses and certain assets of Betta Milk and Meander Valley Dairy, and the licence to use the Pyengana Dairy brand. The core business of Betta Milk and Meander Valley Dairy is the manufacture, marketing and sale of white milk, milk-based beverages and culinary products. The acquisition has increased the number of branded products manufactured and sold by the Group, complementing the existing portfolio.

The results of the Betta Milk and Meander Valley Dairy businesses are included in the Branded segment from the date of acquisition. The total contribution to the Group's earnings for the year ended 30 June 2024 was not material.

The fair values of the assets acquired, and total purchase consideration paid are summarised below. The goodwill recognised on acquisition represents the synergies expected to be achieved in utilising the acquired brands and products in combination with the existing assets of the Branded operating segment.

	Fair value \$m
Inventories	0.8
Right-of-use lease assets	0.8
Property, plant and equipment	3.4
Deferred tax assets	0.8
Lease liabilities	(1.0)
Provisions	(2.5)
Fair value of identifiable net assets acquired	2.3
Total purchase consideration	12.4
Goodwill	10.1

26. Business combinations (cont.)

Identifiable net assets acquired

The fair values of the identifiable assets and liabilities have been determined as at 1 December 2023, applying the acquisition date fair value as determined by independent expert valuations.

Purchase consideration

Total purchase consideration and net cash paid of \$12.4 million does not include acquisition related expenses. Total acquisition related costs incurred to date are \$6.9 million (before tax). The total costs have been incurred in the current period. These costs are included in the Group's Consolidated Statement of Comprehensive Income for the year ended 30 June 2024 and are disclosed as a significant item (see note 1).

27. Closed group disclosure

Entities that are party to a Deed of Cross Guarantee under which each company guarantees the debts of the other are included in note 25. These companies represent a "closed group" for the purposes of Instrument 2016/785, issued by the Australian Securities and Investments Commission. By entering into the deed these entities have been relieved from the requirement to prepare a financial report and directors' report under the Instrument.

The Statement of Comprehensive Income and the Balance Sheet for this closed group are shown below:

	CLOSED GROUP	
	2024	2023
	\$m	\$m
Profit/(loss) before income tax	39.7	(257.1)
Income tax (expense)/ benefit	(9.3)	26.9
Profit/(loss) for the year	30.4	(230.2)

	CLOSED GROUP	
	2024	2023
	\$m	\$m
ASSETS		
Current assets		
Cash and cash equivalents	64.0	62.2
Trade and other receivables	345.9	304.0
Derivative financial instruments	1.2	0.2
Inventories	358.1	428.5
Assets held for sale	17.3	1.4
Other assets	28.6	29.4
Total current assets	815.1	825.7
Non-current assets		
Property, plant and equipment	673.4	687.2
Right-of-use assets	150.8	161.4
Deferred tax assets	16.3	7.8
Intangible assets	476.6	464.5
Total non-current assets	1,317.1	1,320.9
Total assets	2,132.2	2,146.6

Notes to the Financial Statements

27. Closed group disclosure (cont.)

	CLOSED GROUP	
	2024 \$m	2023 \$m
LIABILITIES		
Current liabilities		
Trade and other payables	557.9	509.4
Other liabilities	16.2	17.3
Derivative financial instruments	0.3	0.8
Lease liabilities	23.9	17.2
Current tax liabilities	4.9	13.0
Provisions	103.8	120.3
Total current liabilities	707.0	678.0
Non-current liabilities		
Borrowings	226.7	269.0
Lease liabilities	168.3	180.9
Other liabilities	4.7	4.4
Provisions	16.8	16.5
Total non-current liabilities	416.5	470.8
Total liabilities	1,123.5	1,148.8
Net assets	1,008.7	997.8
EQUITY		
Share capital	874.2	872.9
Reserves	25.4	24.7
Retained earnings	109.1	100.2
Total equity	1,008.7	997.8

Unrecognised items

28. Contingent liabilities

The Group enters into product supply agreements with ongoing requirements to reconcile to specific contractual terms (see note 14). Contingent liabilities may arise where completion of the reconciliation process subsequent to a reporting date results in a payable greater than the amount accrued. Based on all available information and professional advice, management considers there are no significant contingent liabilities at 30 June 2024. The Group has \$13.3 million of bank guarantees as at 30 June 2024 (2023: \$16.8 million).

29. Commitments

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment – payable within one year	23.5	21.4

30. Subsequent events

The financial impact of the transactions set out below, which occurred after 30 June 2024, has not been recognised in these financial statements.

A. Dividend

On 29 August 2024, the Directors declared a final fully franked dividend of 4.0 cents per share, which represents a distribution of \$12.2 million.

The Group's Dividend Reinvestment Plan (DRP) will be activated for the FY2024 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 FY2024 final fully franked dividend to be paid on 3 October 2024 must be recorded by the registry by 5:00 pm on 5 September 2024 to be effective for that dividend.

B. Sale of Leeton juice extraction facility

On 26 August 2024, the Group announced that it has entered into a binding agreement to sell its Leeton juice extraction facility and related assets to Australian Juice Processing and Bottling Pty Ltd (Grove Juice) subject to conditions for \$11.4 million. Upon completion, which is expected to occur in the second quarter of FY2025, Grove Juice will take ownership of the facility and provide employment to existing staff. Grove Juice will process fruit on behalf of the Group as part of a long-term agreement. The Group will maintain its strong relationships with local and regional suppliers to source its fruit. As at reporting date, property, plant and equipment of \$11.0 million related to this site has been reclassified to assets held for sale under current assets. No adjustment has been made to the carrying value of these assets.

Further details

31. 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. Key management personnel (KMP) remuneration and transactions

	CONSOLIDATED	
	2024	2023
	\$	\$
Short-term employee benefits	3,955,120	3,348,332
Post-employment benefits	172,666	167,994
Other long-term employee benefits	132,329	198,005
Share-based payments	280,256	(206,912)
Total employee benefits	4,540,371	3,507,419

Notes to the Financial Statements

31. Related party transactions (cont.)

During the year, some KMP and their related entities engaged in related party transactions with the Group relating to the supply of milk and sale of peanuts. These transactions were on the same normal commercial terms as other suppliers and customers and are summarised in the table below.

	CONSOLIDATED	
	2024	2023
	\$	\$
Payments made by the Group during the year	3,243,144	5,987,855
Sales made by the Group during the year	401,766	341,145
Rental income received by the Group during the year	-	45,378
Amounts payable at year end	236,792	191,377
Amounts receivable at year end	65,102	90,852

Further details of KMP remuneration are disclosed in the Remuneration Report.

32. Remuneration of auditors

	CONSOLIDATED	
	2024	2023
	\$	\$
Audit services		
PwC Australia – Audit and review of financial statements	2,003,000	1,723,000
PwC Australia – Limited assurance on Sustainability Report	135,000	-
Non-audit services		
PwC Australia – Assurance services	23,000	18,000
PwC Australia – Other services	392,000	512,000

From time to time the Group may engage PwC Australia on assignments additional to the statutory audit duties where their experience with the Group is important, provided such assignments do not give rise to a potential conflict of interest. During the current year PwC provided non-audit services relating to tax advice and tax compliance.

33. Share-based payments

Expenses arising from Bega Cheese Limited Long-Term Incentive and Short-Term Incentive Plans

The Long-Term Incentive Plans (LTIs) are designed to provide long-term incentives to the CEO and executive team to deliver shareholder returns. Under the 2022–2024 LTI Plan (FY2022 Plan), 2023–2025 LTI Plan (FY2023 Plan) and the 2024–2026 LTI Plan (FY2024 Plan), each member of the executive team is granted share rights which only vest if certain performance standards are met.

The total number of performance rights outstanding at 30 June 2024 was 1,730,448 (2023: 1,390,248).

Certain executives and staff have been awarded Short-Term Incentive (STI) payments that will be partly made in the form of Bega Cheese Limited Shares.

Details of the movements in LTI performance rights are disclosed in the Remuneration Report.

	CONSOLIDATED	
	2024 \$m	2023 \$m
Entitlements due under employee share schemes		
Expense/(benefit) in relation to LTIs and STIs	0.3	(0.4)
Total employee share scheme expense/(benefit)	0.3	(0.4)

The following tables detail the total performance rights issued by the Group:

LTI Plan	Vesting date	Valuation price	CONSOLIDATED	
			2024 No. of rights	2023 No. of rights
FY2024 Plan	30 June 2026	\$2.99	813,744	-
FY2023 Plan	30 June 2025	\$3.11	672,763	693,569
FY2022 Plan	30 June 2024	\$5.50	243,941	307,446
FY2021 Plan	30 June 2023	\$4.17	-	389,233
Performance rights on issue at end of period			1,730,448	1,390,248

	Long-term incentives performance rights	
	No. of rights	\$
Year ended 30 June 2024		
Outstanding at the beginning of the period	1,390,248	n/a
Granted during the period	813,744	\$2.99
Lapsed during the period	(473,544)	\$5.07
Outstanding at end of period	1,730,448	n/a
Year ended 30 June 2023		
Outstanding at the beginning of the period	1,069,744	n/a
Granted during the period	693,569	\$3.11
Lapsed during the period	(373,065)	\$4.76
Outstanding at end of period	1,390,248	n/a

Notes to the Financial Statements

34. Summary of material 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 Limited and the entities it controlled at year end or from time to time during the financial year (the Group). Bega Cheese Limited is domiciled in New South Wales and is incorporated in Australia.

The financial statements were authorised for issue by the Directors on 29 August 2024. 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 Limited 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 the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 2023.

Adoption of new standards

Internation tax reform – Pillar Two

The Organisation for Economic Co-operation and Development has developed a global solution to address the tax challenges arising from a globalised economy. Pillar Two of the two-pillar solution introduces a global minimum effective tax rate where multinational groups with consolidated revenue over €750m (during a specific period) are subject to a minimum effective tax rate of 15% on income in each jurisdiction in which they operate. Where the effective tax rate is less than 15%, a top up tax applies.

The Group is within the scope of the Pillar Two top up tax. These rules have been enacted or substantively enacted in certain jurisdictions in which the Group operates. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group has adopted the temporary mandatory exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements Pillar Two. The Pillar Two rules are expected to apply to the Group from the financial year beginning 1 July 2024 at which time Pillar Two taxes will be accounted for as current taxes in FY2025.

The Group is in the process of assessing its potential exposure (if any) to Pillar Two taxes based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Pillar Two group. Based on the Group's profile, the Group does not expect a material exposure to Pillar Two taxes.

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

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 21. Certain items in the prior period have been reclassified to be consistent with their presentation in the current period.

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 2024 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 'Group' and the 'consolidated entity'.

Subsidiaries are all 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.

34. Summary of material accounting policies (cont.)

Joint ventures and associates

Interests in joint ventures and associates are accounted for using the equity method, after initially being recognised at cost in the Consolidated Balance Sheet. The interest in joint ventures and associates are accounted for using the equity method after initially being recognised at cost in the Consolidated Balance Sheet. Under the equity method of accounting, joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the joint venture or associate in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture or associate in other comprehensive income. Distributions received or receivable from joint ventures and associates are recognised as a reduction in the carrying amount of the investment.

C. Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Makers. The Chief Operating Decision Makers, who are responsible for allocating resources and assessing performance of the reporting segments, are the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer.

D. Foreign currency translation

Functional and presentation currency

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

Foreign operations

The assets and liabilities of the Group's foreign operations are translated at applicable exchange rates at 30 June of the relevant reporting period. Income and expense items are translated at the average exchange rates for the period.

Foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve.

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

Revenue is recognised to the extent that the Group satisfies a performance obligation where control of the goods or services passes to the customer, and the transaction price can be readily identified. Revenue is measured at the agreed price 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.

Judgement is used in assessing revenue 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 the 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.

The cost of 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, 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.

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 up until 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 sales incentives to customers that have variable consideration are only included 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 those 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.

Notes to the Financial Statements

34. Summary of material accounting policies (cont.)

Services

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

Royalties and rental revenue

Revenue is recognised over time on an accruals basis in accordance with the substance of the relevant agreement. Royalties and licence fees for use of its brand names with customers is recognised when the performance obligation is satisfied (for the use of intellectual property).

F. 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 substantively 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.

G. 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.

H. Impairment of assets

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 value in use for impairment testing purposes of its CGUs.

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.

34. Summary of material accounting policies (cont.)

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.

I. 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.

J. 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 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly.

A loss allowance provision (allowance for impairment of trade receivables) is recognised for the lifetime expected credit losses from trade receivables. The loss allowance considers the impact of past events including historical loss rates, and exercises judgment over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. Subsequent changes in economic and market conditions may result in the loss allowance provision increasing or decreasing in future periods.

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 transfers 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.

K. 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.

L. Other assets

Some of the ingredients which the Group procures from customers are used to produce finished goods sold to those 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.

Notes to the Financial Statements

34. Summary of material accounting policies (cont.)

M. Investments and other financial assets

The Group classifies its investments in the following categories: loans and receivables, and financial assets at fair value through other comprehensive income (FVOCI). 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

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 on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22 for further details.

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

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 22. 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.

N. 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 options. 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 ongoing 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 22. 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.

34. Summary of material accounting policies (cont.)

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.

O. 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, 10 to 50 years
- plant and equipment, 2 to 30 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 asset's 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.

P. Leases

The Group leases various buildings (offices, warehouses, and manufacturing facilities), motor vehicles and equipment (forklifts and other equipment). The building rental agreements are generally for fixed periods between two and twenty years with options to extend for further one to ten years. Other lease contracts are typically made for fixed periods of between two and ten years. Leases identified as short term (12 months or less) and low value will continue to be recognised in the profit or loss as a lease expense. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components when possible, however for real estate for which the Group is lessee, it has elected not to separate and includes all non-lease components as a single lease component.

Lease liabilities are recognised by the Group at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments and variable lease payments that depend on an index or rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The incremental borrowing rate is used unless the implicit interest rate in the lease is readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions. Determining the incremental borrowing rate requires significant judgement. The discount rate is derived from key external market-based rates, the Group's credit margin, location of the asset and the length of the lease.

Right-of-use lease assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use lease assets are depreciated on a straight-line basis in the profit or loss over the lease term.

Q. 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.

Notes to the Financial Statements

34. Summary of material accounting policies (cont.)

Brands and other identifiable intangible assets

Brands and other identifiable intangible assets purchased by the 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 34h.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can control to determine whether an intangible asset is present. If the Group cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred.

Costs incurred to obtain access to the cloud provider's application software are generally recognised as operating expenses when the services are received.

Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premise software are capitalised if it meets the recognition criteria for an intangible asset.

Certain internal and external costs directly incurred in acquiring and developing software are capitalised if they meet the recognition criteria of an intangible asset and are amortised on a straight-line basis over their estimated useful lives, being three to ten years.

Capitalised costs are tested for impairment when an indicator of impairment exists.

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 assets 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.

R. 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.

S. 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.

T. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

34. Summary of material accounting policies (cont.)

Restoration provisions

Provisions for the costs to restore (make good) leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the Directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

U. 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.

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-market 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.

V. 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.

W. 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.

Notes to the Financial Statements

34. Summary of material accounting policies (cont.)

X. Earnings per share

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.

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.

Y. 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.

Z. 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.

AA. Rounding off 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 hundred thousand dollars, or in certain cases, the nearest dollar.

AB. Parent entity financial information

The financial information for the parent entity, Bega Cheese, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below:

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

Consolidated Entity Disclosure Statement

Entity name	Entity type	2024 % of share capital held	Place formed or incorporated	Australian or foreign resident	Foreign resident jurisdiction
Bega Cheese Limited	Body corporate	n/a	Australia	Australian	n/a
180 Nutrition Pty Ltd	Body corporate	100	Australia	Australian	n/a
BDD Australia Pty Ltd	Body corporate	100	Australia	Australian	n/a
BDD Foods Pty Ltd	Body corporate	100	Australia	Australian	n/a
BDD Milk Pty Ltd	Body corporate	100	Australia	Australian	n/a
Bega Cheese Benefit Fund Ltd	Body corporate	100	Australia	Australian	n/a
Bega Cheese Investments Pty Ltd	Body corporate	100	Australia	Australian	n/a
Bega Dairy and Drinks Pty Ltd	Body corporate	100	Australia	Australian	n/a
Bega Dairy and Drinks Finance Pty Ltd	Body corporate	100	Australia	Australian	n/a
Bega Dairy and Drinks Services Pty Ltd	Body corporate	100	Australia	Australian	n/a
Bega Insurance Pte Ltd	Body corporate	100	Singapore	Foreign	Singapore
Berri Pty Ltd	Body corporate	100	Australia	Australian	n/a
Berri Asia Sdn Bhd	Body corporate	100	Malaysia	Foreign	Malaysia
Blowflex Mouldings Pty Ltd	Body corporate	100	Australia	Australian	n/a
Capitol Chilled Foods (Australia) Pty Ltd	Body corporate	100	Australia	Australian	n/a
Dairy and Drinks Singapore Pte Ltd	Body corporate	100	Singapore	Foreign	Singapore
Dairy Farmers Pty Ltd	Body corporate	100	Australia	Australian	n/a
Dairy Vale Foods Pty Ltd	Body corporate	100	Australia	Australian	n/a
Malanda Dairyfoods Pty Ltd	Body corporate	100	Australia	Australian	n/a
National Foods Holdings Ltd	Body corporate	100	Australia	Australian	n/a
National Foods Beverage Holdings Pty Ltd	Body corporate	100	Australia	Australian	n/a
Peanut Company of Australia Pty Ltd	Body corporate	100	Australia	Australian	n/a
QUD Pty Ltd	Body corporate	100	Australia	Australian	n/a
Shanghai Great Lion Food & Beverages Management Co Ltd	Body corporate	100	China	Foreign	China
Tatura Milk Industries Pty Ltd	Body corporate	100	Australia	Australian	n/a
Tatura Cheese Industries Pty Ltd	Body corporate	100	Australia	Australian	n/a

Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.

Determination of tax residency

Subsection 295 (3A)(a)(vi) of the *Corporations Act 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as there are different interpretations that could be adopted, which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency
The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5
- Foreign tax residency
Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see subsection 295 (3A)(a)(vii) of the *Corporations Act 2001*).

Directors' Declaration

In the Directors' opinion

- a. the financial statements and notes set out on pages 35 to 103 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 2024 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. the Consolidated Entity Disclosure Statement on page 104 is true and correct, and
- d. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 27 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 27.

Note 34a 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.

Barry Irvin
Executive Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

29 August 2024



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:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the Consolidated Balance Sheet as at 30 June 2024
- 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 Consolidated Financial Statements, including material accounting policy information and other explanatory information
- the Consolidated Entity Disclosure Statement as at 30 June 2024
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.



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.

Audit Scope

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

Key audit matter

A key audit matter is those matter that, in our professional judgement, was of most significance in our audit of the financial report for the current period. The key audit matter was 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 this matter. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matter to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<i>The carrying value of the Branded CGU (Refer to note 13)</i> The Group is required to conduct a detailed impairment assessment relating to the Branded CGU on an annual basis given it holds indefinite lived intangible assets. The carrying value of the intangible assets in the Branded CGU is a key audit matter due to both the significance of the balance and the degree of subjectivity in the judgements and assumptions.	Our procedures included the following, amongst others: • Obtaining the Group's value in use model for the Branded CGU and evaluating the appropriateness of the valuation methodology used to estimate the recoverable amount of the CGU. • Evaluating the Group's cash flow forecasts included in the value in use model and the process by which they were developed, with reference to the historical performance of the business. • Assessing key assumptions within the models for reasonableness with reference to external market data where possible. • Evaluating the related financial statements disclosures for consistency with Australian Accounting Standards requirements. • Professionals with specialised skill and knowledge were used to assist in the evaluation of the Group's discount rate assumption.



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 2024, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Bega Cheese Limited for the year ended 30 June 2024 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.

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

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Sam Loble'.

Sam Loble
Partner

Melbourne
29 August 2024

The shareholder information set out below was applicable as at 30 June 2024:

Distribution of equity securities

HOLDING	NUMBER
1 – 1,000	7,775
1,001 – 5,000	6,765
5,001 – 10,000	2,258
10,001 – 100,000	1,638
100,001 and over	167
	18,603

There were 560 holders of a less than marketable parcel of ordinary shares.

Equity security holders

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

INVESTOR	NAME	NUMBER OF SHARES	% OF TOTAL SHARES ON ISSUE
1	Forrest Family	34,877,593	11.4
2	Sphera Asset Management Pty Limited	15,289,412	5.0
3	The Vanguard Group, Inc	10,726,383	3.5
4	Dimensional Fund Advisors Limited	9,878,252	3.2
5	Wilson Asset Management (International) Pty Ltd	8,504,944	2.8
6	Argo Investments Limited	8,073,793	2.6
7	State Street Global Advisors Australia Limited	7,777,507	2.6
8	BlackRock Investments, LLC	5,781,122	1.9
9	Messrs Roy A & Anthony P Medich	5,000,000	1.6
10	Investors Mutual Limited	4,836,772	1.6
11	Vanguard Investments Australia Limited	4,741,958	1.6
12	IFM Investors Pty Ltd (Sydney Fund)	4,450,743	1.5
13	RQI Investors	4,042,194	1.3
14	Tribeca Investment Partners Pty Ltd	3,865,367	1.3
15	Norges Bank Investment Management	3,089,647	1.0
16	Macquarie Asset Management Holding Pty Limited	2,727,212	0.9
17	Jerang Pty Ltd	2,670,000	0.9
18	BlackRock Investments, LLC	2,297,066	0.8
19	IFM Investors Pty Ltd (Melbourne Fund)	2,057,943	0.7
20	Aljo Pastoral Pty Ltd*	2,038,841	0.7
	Total	142,726,749	46.9

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

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.

Advisors

Auditor

PricewaterhouseCoopers
2 Riverside Quay Southbank VIC 3006

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

J.P. Morgan Australia
85 Castlereagh St Sydney NSW 2000

Commonwealth Bank of Australia Limited
Commonwealth Bank Place South
Level 1, 11 Harbour Street NSW 2000

Australia and New Zealand Banking Group Limited
ANZ Centre, Level 9, 833 Collins Street
Docklands VIC 3008

ING Bank (Australia) Limited
Level 28, 60 Margaret Street
Sydney NSW 2000

Directors & Company Secretaries

Directors

Barry Irvin
Executive Chairman

Rick Cross
Independent Director

Harper Kilpatrick
Director

Patria Mann
Independent Director

Peter Margin
Independent Director

Raelene Murphy
Independent Director

Terry O'Brien
Independent Director

Company Secretary

Brett Kelly

Stock Exchange Listing

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

Executive Team

Peter Findlay
Chief Executive Officer

Gunther Burghardt
Chief Financial Officer

David McKinnon
Executive General Manager People and Capability

Adam McNamara
Executive General Manager Growth Channels & Customer
Supply Chain

Jacqueline Scarlett
Group General Counsel

Hamish Reid
Executive General Manager Bulk Nutritionals & Ingredients

Antonietta Timms
Executive General Manager Branded Business Operations

Darryn Wallace
Executive General Manager Retail Sales, Marketing & Partnerships

Rob Grima
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 associate. Bega Cheese and its subsidiaries together are referred to in this financial report as the Bega Cheese Group (Group, Bega Group or consolidated entity).

Principal Registered Office

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creating great food
for a better future

