BESTON GLOBAL FOOD COMPANY LIMITED

2018 ANNUAL REPORT

BESTON
GLOBAL FOOD COMPANY

...from farm to fork

Corporate Directory

BESTON GLOBAL FOOD COMPANY LIMITED	ACN 603 023 383
Annual Report for the period ended 30 June 2018	

INCORPORATION

Incorporated in Australia on 24 November 2014

DIRECTORS

Roger Sexton	Executive Chairman
Stephen Gerlach	Non-Executive Director
Catherine Cooper	Independent Non-Executive Director
Petrina Coventry	Independent Non-Executive Director
Jim Kouts	Independent Non-Executive Director
Ian McPhee	Independent Non-Executive Director

CEO

Sean Ebert

COMPANY SECRETARY

Richard Willson

REGISTERED OFFICE

Level 9, 420 King William St, Adelaide, South Australia 5000 +61 (0)8 8470 6500

PRINCIPAL PLACE OF BUSINESS

Level 9, 420 King William St, Adelaide, South Australia 5000 +61 (0)8 8470 6500

SHARE REGISTER

Link Market Services
Tower 4, Collins Square, 727 Collins St, Melbourne, Victoria 3008 +61 (0)3 9200 4555

Beston Global Food Company Limited shares are listed on the Australian Stock Exchange (ASX)

LEGAL ADVISORS

Minter Ellison

AUDITORS

Ernst & Young Australia

Board of Directors

R N Sexton AM

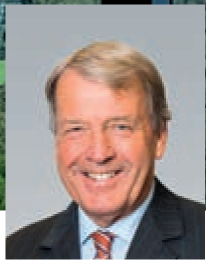
B.Ec. (Hons), M.Ec., PhD (Econ), FAICD, FAIM, S.F.Fin, C.Univ.

Chairman

Dr Roger Sexton is an investment banker and company director. He holds Doctorate and Master's Degrees in Economics from North Carolina State University and an Honours Degree (First Class) in Economics from the Flinders University of South Australia. He was awarded the Bank of Adelaide Prize in Economics in 1970 and the American Agricultural Economics Society Outstanding Doctoral Program Award in 1976.

Roger has extensive experience and education in the agricultural sector, in addition to finance and business management. Roger has also had 30 years experience overseas, particularly in China and the Asia Pacific.

Roger is Chairman of the Investment Manager, Beston Pacific Asset Management Pty Ltd, KeyInvest Ltd, and a Director of IBISWorld. He is a former member of the Australian Accounting Standards Board.



Stephen Gerlach AM

LLB, FAICD

Non-Executive Director

Stephen is Chancellor of Flinders University, Chair of Adelaide Capital Partners, Gerlach Asset Development, Ebony Energy and a Director of Beston Global Foods and Beston Pacific Asset Management. He was formerly the Chair of Santos, Futuris Corporation, Equatorial Mining, Elders Australia, Challenger Listed Investments, Amdel, and Penrice. He was also a Director of a number of other public companies including Southcorp, AMP Australia, Brunner Mond Holdings and Elders Rural Bank and a member of other public companies including ones located in the UK, USA and Chile.

Stephen was a partner of legal firm Finlaysons for 23 years and its Managing Partner from 1985-91. He has also been involved in a number of community and professional associations, including being the inaugural Chair of Foodbank South Australia Inc from 1999 to 2014 and a Director of Foodbank Australia.

Petrina Coventry

B.Ed., M. Phil. (Ethics), MBA, EMBA, FAHRI

Independent Non-Executive Director

Petrina Coventry is Industry Professor and Director of Development with the Adelaide University Faculty of Professions and Business School. She previously held Global Vice President roles with General Electric and Coca Cola in the United States and Asia and more recently CHRO with Santos Ltd.

Her experience covers industries including energy, technology, education, fast moving consumer goods and financial services.

Her work in organisational transformation, company performance and governance has led to increased involvement with governments, industry associations and consulting groups across the Asian region.

Petrina is an ethicist by background and completed her PHD with Melbourne University. She is a Fellow of the AICD, a Vincent Fairfax Fellow, and a Non-Executive Director with the Australasian Association of Philosophy (AAP).

View of the South Parkland, Adelaide from the Beston Boardroom

Jim Kouts

BA (Journalism), FAICD

Independent Non-Executive Director

Jim has served as a senior executive and non-executive director in major companies in the energy, financial service and business tourism industries and has also held various senior positions in the public sector.

He is currently Chair of Home Start Finance, Chair of the Adelaide Convention Bureau, Non-Executive Director of the Adelaide Venue Management Corporation and is Strategic Advisor to Adelaide Airport Ltd.

Through his various roles, Jim has gained strong commercial and contract negotiation skills and has a sound grasp of governance, strategy and strategy implementation. These skills, together with his extensive insight of air freight logistics into Asia are invaluable on the Board.

Ian McPhee AO PSM

B.Bus., B.A, FCPA, FCA

Independent Non-Executive Director

Ian served as the Auditor General of Australia until June 2015. He holds a Bachelor of Business (Accountancy) degree and a Bachelor of Arts (Computing Studies) degree.

Ian is a Fellow of CPA Australia and a Fellow of Chartered Accountants Australia and New Zealand.

He is currently a Member of the International Ethics Standards Board for Accountants and a Distinguished Honorary Professor at the College of Business and Economics, Australian National University, a member of the Council of Central Queensland University, and a director of Ian McPhee Consulting Pty Ltd.

He is the former Deputy Chair of the Australian Accounting Standards Board.

Catherine Cooper

LLB, GDLP, FAICD

Independent Non-Executive Director

Catherine is an experienced NED with a portfolio of approximately 50 Board positions. After a professional career as a commercial lawyer, Catherine moved into the business world and developed wide knowledge and experience across a broad range of sectors such as agribusiness, food and health, energy and water, and technology.

Catherine has been involved in startups, SME's, public and private sectors, ASX listed, and NFP on a national and international basis. Career highlights include the establishment of national joint venture Rural Bank, awarded Telstra Business Woman of the Year finalist twice, inclusion in an international management program at GE and winning a position in the AICD's ASX Top 200 Chairman's Mentoring Program. Catherine is an experienced Audit Committee Chair and holds many positions on such committees.

Chairman's Review

Taking two substantial dairy factories out of receivership, rebuilding the assets, restoring the export accreditation, and bringing them back into commercial production.

The Board of Beston Global Food Company Limited (ASX: BFC) is pleased to report on the progress made across a number of areas during the 2018 financial year. Several key milestones in delivering on the Company's strategy were achieved over the year.

Significant investments to 'build out' the asset base and establish a new level of operations have largely been completed. The Group is now putting those investments to work.

The business model which BFC has implemented from the outset has been based around a number of fundamental principles that the Investment Manager has employed successfully in other industries. These include:

- Buying income generating assets at or below their intrinsic economic value.
- Allocating capital to those areas where it can generate the greatest returns (and capitalise on the benefits of compounding).
- Putting in place initiatives which can build sustainable revenue and earnings' streams over the longer term.

Like most businesses from time to time, especially those in start-up mode we have got things 'wrong'. Some were related to events outside of our control, such as and importantly, the delayed delivery in our Mozzarella plant from the equipment manufacturers. However, we have done many things 'right' and in a relatively short space of time.

Each time we have experienced a set-back such as this, we have changed tack, and changed tack quickly. As our past experience in building and running companies has shown, in order to be innovative and advance forward, management needs to be willing to make mistakes from time to time. It is not acceptable nevertheless, not to learn from these mistakes.

A great deal has been achieved over the last three years across all areas of the business. These include:

- Increasing sales revenues from virtually zero at the time of the listing to $24 million in FY17 and $48 million in FY18.
- Taking two substantial dairy factories out of receivership, rebuilding the assets, restoring the export accreditation, and bringing them back into commercial production.
- Acquiring and installing a state-of-the-art Mozzarella plant at Jervois and restoring the cream and butter plant.
- Building 8 new brands and developing over 50 new and different product offerings: Edwards Crossing, Beston Pure, Kyubu, Fancy Bites, Mables, Grange Peak, Eight water and Yarra Valley meats.
- BFC won eleven major awards at the 2018 SA Dairy Awards- Royal Adelaide Show including Champion Cheddar Cheese of The Show, Champion Hard or Semi-Hard Cheese Variety other than Cheddar, Best Innovative Dairy Product- Fancy Bites and Champion South Australian Manufactured Cheese along with 7 other Gold and Silver Awards taking the total tally for Champion Gold, Silver, Bronze and other National Awards, for its dairy products to 70 since listing in 2015.


GEA

- Developing OZIRIS/Brandlok traceability and anti-counterfeiting technology with eleven International Patents or Patents pending.

We have built a company that Shareholders can be proud of. We manufacture food and beverage products that meet the needs of health-conscious consumers and promote healthy eating. We have fulfilled our Vision of taking the best of Australia's premium quality food and beverages to the consumers of the world.

To achieve this Vision, we have implemented a business model whereby we control the raw materials that go into our foods, and control how those materials are processed into the healthy, premium quality products that we offer consumers for purchase.

Through the OZIRIS/Brandlok technology we are able to ensure consumers that what they are going to put in their mouths is authentic (i.e. is produced by BFC and is not a 'fake food'). We are also able to show consumers the integrity of the ingredients in our products and demonstrate them through the production process, from the farm to the fork.

As we have previously explained to Shareholders, BFC is a company which has been a start-up (and in high growth mode) over the relatively short period since listing.

We acquired our dairy manufacturing business out of receivership and invested in three other agri-businesses (meat, seafood and health/nutrition) with a view to transforming those businesses from relatively small, family owned businesses into globally focussed companies that could achieve economies of scale in their operations and a market share position within each of their areas of specialisation which was of sufficient size as to earn above average rates of return.

At the core of the Company's strategy for the three years immediately following listing, was a 'build-out' program whereby BFC would expand the infrastructure in each of our four operating divisions (dairy, meat, seafood, health/nutrition) so as to achieve this transformation and enable the Company to grow and expand while extracting progressively increasing returns from the capital employed in those divisions.

We manufacture food and beverage products that meet the needs of health-conscious consumers and promote healthy eating.

The classic earnings profile for a start-up company, whether it be in the food industry or the technology industry, or any other industry is a U-shaped curve where net earnings are negative initially and fall off further as the company spends money on building its business and then recover as the company gains tractions and generates returns on the expenditure made in its investment phase.

BFC initially sought to avoid this classic U-shape earning profile by taking on a Cornerstone Company Shareholder from China, at its IPO, which could deliver significant sales, margins and profits while the Company went through its planned three year 'build-out' phase.

A key assumption in our strategy, as we have explained previously, was that BFC's revenues and earnings during this build-out period would be underpinned by sales commitments made by this Cornerstone Shareholder. The sales agreements were supported by letters of assurance and it was reasonably accepted that a significant Shareholder would also wish to protect the value of its commercial investment in BFC by honouring its commitments. As explained to Shareholders on several occasions, these commitments were not subsequently delivered, for reasons internal to that Shareholder.

Based on the committed orders and margins applicable, we estimate that this non-performance against the supply agreements has cost BFC more than $25 million in foregone net profit before tax over the last three years.

When the purchase commitments were not delivered, the Board of BFC resolved to put in place alternative arrangements to achieve the 'build out' strategy of the overall BFC business so as to achieve its objectives and build long-term Shareholder value.

This has involved the acceleration of our efforts to generate sales in the domestic Australian market rather than relying on the sales revenues which had been committed for the China market. Initially it was expected that around 90% of the sales of the Company would be derived from China in each of the three years of the 'build out' phase (and the balance 10% from domestic sales), whereas the reality has been that 90% of our sales in this financial year has been derived from the domestic market in Australia.

To do this, we have focussed our efforts on:

- Increasing the productive capacity of our dairy assets as quickly as possible; and
- Producing the best quality cheese products as quickly as possible in order to win awards and build a market presence.

We believe that this focus on long-term earnings growth will derive a greater benefit in terms of building the wealth of our Shareholders than a focus only on short term objectives. The merits of this approach are now coming through via the progress being made in each of our operating divisions, as listed under '*Our Divisions and Brands*' of this report. The steps outlined in the section '*The Path Forward*' of this report depicts challenging however, exciting times ahead and gives the Board confidence that we will deliver on our FY19 targets.

I wish to take this opportunity to thank our Board, team and all our staff in our Factories and Farms who work tirelessly to deliver the best possible outcomes for our Shareholders and Customers. I also wish to thank our Investee Companies; Scorpio, NBI, Aqua Essence, Ferguson Australia, who are all part of the Beston family and most importantly our Farmers who supply us the freshest milk on a daily basis, and passionately share our goals to take the best of Australia's dairy products to the world.

Chief Executive's Review

Beston Global Food Company Limited (BFC) has reported sales revenues of $47.9 million in FY2017, a doubling of sales revenues over the previous year of $23.8 million.

In our third year as a publicly listed company we are pleased that Beston Global Food Company Limited (BFC) has reported sales revenues of $47.9 million in FY2017, a doubling of sales revenues over the previous year of $23.8 million. The result comes on the back of an increase in milk supply, which is now running at 120 million litres per annum up by 25% on the previous year.

Production capacity at our dairy factories at Murray Bridge and Jervois, South Australia, have increased from 10,000 tonnes per annum to 25,000 tonnes per annum. Production and sales of Mozzarella have scaled up from May 2018 with SQF accreditation and the win of a large contract to supply a major Australian retailer an average of 200 tonnes per month from August 2018. Earning results were impacted substantially by the Mozzarella plant being six months later than planned due to unexpected delays from the plant manufacturer. This was compounded by impairments in China resulting in a total statutory loss of $12.6 million in FY18.

The company contracted supply of milk at the rate of 90ML pa in anticipation of the start-up of the Mozzarella plant in November 2017. The delay in completing the construction of the plant then achieving commercial levels of production meant that the Company had to fund a higher level of working capital during this period. The milk received between November 2017 to April 2018 was intended to be processed into Mozzarella. Instead it was largely processed into cheddar and held in inventory for maturation before sale. This created an unavoidable delay in the cycle of conversion of milk supplied into cash. Funding this higher working capital requirement came from new borrowings. The Company's opening cash reserves were largely applied to completing the Mozzarella project and funding other operating costs.

The financial result for the FY18 was also impacted by:

- Insurance premiums that increased by approximately $1.8 million (i.e. an increase of 250% over the previous year). A spate of recent fires world-wide, including the Thomas Foods fire at Murray Bridge, have led to insurers re-assessing the risks to property posed by EPS panelling leading to a substantial increase in premiums. The Company has had independent consultants review the factories' fire protection systems and is satisfied that equipment and procedures to deliver personnel safety are being appropriately managed. However, an upgrade of the fire sprinkler systems, along with other measures, are being scoped to further reduce the risk of property loss in the event of fire and reduce the insurance premium.
- Write downs of inventory and receivables in Thailand during the year totalled $1.0 million mostly reported in the first half of FY18 and partly attributable to exchange rate adjustments.

The statutory financial results masked the further significant progress which had been made during FY18 in building the company's platform for long term sustainable growth and value creation.

These include:

- Increasing sales revenues from virtually zero at the time of the listing to $24 million in FY17 and $48 million in FY18;
- Acquiring and installing a state-of-the-art Mozzarella plant at Jervois, restoring the cream and butter plant and restoring the dairy nutraceuticals plant;
- Building eight new brands and developing over 50 new and different product offerings: Edwards Crossing, Beston Pure, Kyubu, Fancy Bites, Mables, Grange Peak, ei8h+ Water and Yarra Valley (Scorpio) meats;
- Being awarded 70 Champion, Gold, Silver and Bronze awards and numerous high-profile industry awards for BFC's cheese products within a space of three years, as mentioned above.

The key task for management is to now capitalise on the achievements of the last three years to maximise revenues, margins and profits and resume dividend payments to Shareholders.

BFC's success will be largely driven by the performance of the Dairy Division. The other components of the Company's business (particularly the meat business) can be expected to start showing increasing contributions to profit as we progress forward. Early in the FY19, the Scorpio meat business will be 100% BFC owned and will be achieving new contracts with Australia and overseas retailers, including Aldi and Costco.

BFC's Board and Management expresses confidence in FY19, based on momentum achieved from completion of the dairy infrastructure 'build out' and other growth initiatives that are now in place.

Our Divisions and Brands

Several key milestones in delivering on the Company's strategy were achieved over the year. The key developments in each of the Divisions are summarised as follows;

Dairy Division

- The major $26.5M build-out in dairy successfully completed and in full operation with commercial sales occurring, in May 2018 (as per 1 May 2018 ASX announcement).
- Overall dairy capacity increased from 10,000 tonnes (hard cheese) to 25,000 tonnes capacity.
- New capabilities in Mozzarella, Hard Cheese and Cream Cheese has shifted BFC's capacity into higher margin products and increased production of cream and whey powder which are in strong demand.
- Extended BFC's Dairy Brand 'Edwards Crossing' into the adult snacking segment through the launch of 'Fancy Bites' into Woolworths nationally.
- Further Brand recognition achieved being awarded Australia's Best Colby in 2018 to add to being awarded Australia's Best Cheddar in 2017.
- Increased the productivity of the BFC owned dairy farms' portfolio with the expansion of herd over the FY18 period to around 3,000 herd.
- Milk supply has increased 33% from the previous year underpinning BFC's production and sales plan for the dairy factories for FY19.
- In June 2018 the plant achieved the stringent quality accreditation known as SQF, being the world's best practice quality standard and is essential to become a supplier to many major potential customers.
- A contract to supply a major Australian retailer an average of 200 tonnes per month of Mozzarella, representing 30% of planned FY19 production, was signed following SQF accreditation. Supply commenced in August 2018, and other new customers steadily increasing offtake.
- Mozzarella sales since commissioning have totalled $3.2 million of which $2.6 million was in June/July 2018 as customers began to take Mozzarella into their range.
- Industry recognition has resulted a total of 70 Champion, Gold, Silver, Bronze for our dairy products.

Industry recognition has resulted a total of 70 Champion, Gold, Silver, Bronze awards for our dairy products.


SOUTH AUSTRALIAN DAIRY AWARDS 2016 2 GOLD
SOUTH AUSTRALIAN 2016 CHAMPION CHEDDAR DAIRY AWARDS
SOUTH AUSTRALIAN DAIRY AWARDS 2016 3 SILVER
SA DAIRY & DAIRY INDUSTRY AWARDS 2017 22 SILVER
SA DAIRY & DAIRY INDUSTRY AWARDS 2017 4 GOLD
DAIRY INDUSTRY ASSOCIATION AUSTRALIA 2017 BEST CHEDDAR
SOUTH AUSTRALIAN 2017 CHAMPION CHEDDAR DAIRY AWARDS
SOUTH AUSTRALIAN BEST INNOVATIVE PRODUCT 2017 DAIRY AWARDS
2 SILVER Sydney Royal 2018 CHEESE & DAIRY SHOW
1 GOLD Sydney Royal 2018 CHEESE & DAIRY SHOW
SOUTH AUSTRALIAN DAIRY AWARDS 2018 5 SILVER
DAIRY INDUSTRY ASSOCIATION AUSTRALIA 2018 10 SILVER
DAIRY INDUSTRY ASSOCIATION AUSTRALIA 2018 BEST COLBY
DAIRY INDUSTRY ASSOCIATION AUSTRALIA 2018 2 GOLD
AUSTRALIAN FOOD AWARDS 1 SILVER 2018
AUSTRALIAN FOOD AWARDS 1 GOLD 2018
SOUTH AUSTRALIAN BEST INNOVATIVE PRODUCT 2018 DAIRY AWARDS
SOUTH AUSTRALIAN 2018 CHAMPION SA MANUFACTURER CHEESE DAIRY AWARDS
SOUTH AUSTRALIAN 2018 CHAMPION CHEESE VARIETIES DAIRY AWARDS
SOUTH AUSTRALIAN 2018 CHAMPION CHEDDAR DAIRY AWARDS


DAIRY INDUSTRY ASSOCIATION AUSTRALIA
2017
5 SILVER
DAIRY INDUSTRY ASSOCIATION AUSTRALIA
2017
1 GOLD
DAIRY INDUSTRY ASSOCIATION AUSTRALIA
2018
2 SILVER
Mable's
GARLIC & CHIVE


SOUTH AUSTRALIAN
2016
CHAMPION
CHEDDAR
DAIRY AWARDS
DIAA • CHRISTIAN HANSEN
2017
BEST
CHEDDAR
GOLD
Sydney Royal
2018
CHEESE & DAIRY SHOW
AUSTRALIAN FOOD AWARDS
GOLD 2018
VINTAGE
CHEDDAR
RICH & BITEY
24


PEPATO
GOUDA
ROMANO
CHEDDAR
COLBY
SOUTH AUSTRALIAN DAIRY
2017
SILVER
DAIRY INDUSTRY ASSOCIATION
2017
SILVER
DAIRY INDUSTRY ASSOCIATION
2018
BEST
COLBY
DAIRY INDUSTRY ASSOCIATION
2018
SILVER
SOUTH AUSTRALIAN DAIRY
2018
GOLD
SOUTH AUSTRALIAN
2018
CHAMPION
CHEDDAR
DAIRY AWARDS


CHEDDAR CHEESE
SOY CRISPS, BBQ CORN & PRETZELS
9g OF PROTEIN
EDWARDS CROSSING
CHEESE COMPANY
FLIP & UNZIP
Fancy Bites
To Go
50g NET
CHEDDAR CHEESE
CHILLI RICE PUFFS, PEANUTS & WASABI PEAS
10g OF PROTEIN
EDWARDS CROSSING
CHEESE COMPANY
FLIP & UNZIP
MURRAY BRIDGE SOUTH AUSTRALIA
Fancy Bites
To Go
50g NET
CHEDDAR CHEESE
BESTON pure
SOUTH AUSTRALIAN
BEST
INNOVATIVE
PRODUCT
2018
DAIRY AWARDS

Our Divisions and Brands CONTINUED

Meat Division

- BFC assumed management of Scorpio Foods Pty Ltd (Scorpio) in January 2018 (with the appointment of a new GM Mr Luke Bramston, formerly Managing Director of Cater Fair, a subsidiary of Top Cut Meats) and has overseen the day-to-day operations at Scorpio since that time to drive a transformation to lift revenues and profits of this meat processing business.
- Sold Colac, Victoria building and consolidated production operations in Shepparton, Victoria including the conversion of cold storage facilities to a fully accredited food processing facility to SQF and export grade standards.
- Expanded Lamb Shank range into Aldi under their 'Farmwood' brand and launched Yarra Valley Lamb Shanks into Costco nationally.
- Increased export sales with supply for diced cooked beef into a Quick Service Restaurant (QSR) chain in Japan as well as on-going shipments of Sliced Beef Bacon into the Middle East retail markets.
- Consolidation of operations in Shepparton, Victoria has facilitated cost savings and production efficiencies which is enabling higher levels of production and expansion of Scorpio's range of products.

BFC's Dairy Brand 'Edwards Crossing' was extended into the adult snacking segment through the launch of 'Fancy Bites' into Woolworths nationally.

Seafood Division

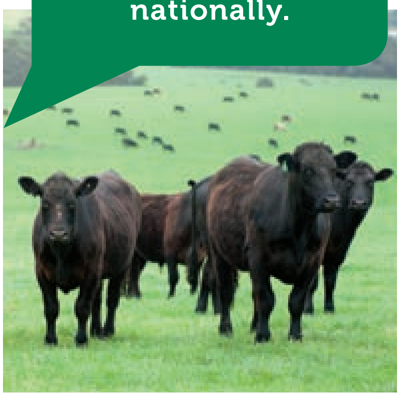
- Sales of Ferguson Seafood products shifted into higher margin markets during FY18 with the introduction of branded retail packs.
- Ferguson branded frozen retail packs were introduced into independent supermarkets across Australia during the year, as well as into selected retail and e-commerce chains in Hong Kong and China.
- Total Southern Rock Lobster processed was 440 tonnes, down slightly on 2017 due to a compressed fishing season.
- An innovative range of ready-to-eat sashimi grade retail tuna packs was developed for launch in China in August 2018

Health and Nutrition Division

- A substantial investment was made by Neptune Bio Innovations (NBI) during FY18 in upgrading its manufacturing facilities to bring more of its products back in-house and reduce out-services costs.
- NBI successfully launched a range of its food and consumer health products; BIOLyte and La Mayo Brands into major pharmacy channels with 95% coverage in Priceline stores, and Heart Salt into Coles with over 85% coverage.
- New product line extensions with the expansion of BIOlyte range into ready to drink, effervescent and ice block formats.
- New product innovation with the development of the 'Uricil' brand which treats and prevents urinary tract infections.
- NBI has achieved sales into Asia during FY18 (notably China and Vietnam) by working with BFC and is in advanced discussions with channel partners in the Middle East, UK and the USA.

Technology Division

- Heads of agreement entered into with Datadot Technology Limited (DDT), to explore the merger of Beston Technology (BT) with DDT.
- Beston Technology granted US Patent for the method and apparatus of determining the provenance of products.
- Integrated anti-counterfeit technology into the food labels of BFC branded products going into export markets.



International Update

China

BFC has continued to invest strategically in growing our presence in China through creating brand recognition and establishing and expanding relationships with distributors and other key participants in the China market. BFC's brand recognition was significantly enhanced during the year with BFC brands appearing on the shelves of some of China's biggest retailers.

Nevertheless, gaining brand recognition with a direct to retail approach has proved more costly than forecast by local management in China. A net loss of $4.2m has been reported for the year for China.

There are no quick wins in China. It is a market which requires patience and tenacity. And, of course, our investments in developing our China market do not result in tangible assets for inclusion in the BFC balance sheet; the net costs of our China activities are reported in our P&L.

As we have explained previously, the Board of BFC has taken a long-term view on China. The ChAFTA Free Trade Agreement is half way through its four-year transition period such that by 2020, there will be zero tariffs on Australian food imports into China. The younger age groups in China are seeking out fresher, healthier, authentic food and beverage products and have shown a preference for sourcing these products from overseas.

The work which has been done in China to build our relationships with distributors and achieve brand recognition is now bearing fruit. We have achieved access into a number of retail and food service markets and have developed good working relationships with a number of reliable distributors. This work has served to establish the quality credentials of BFC as a reliable supplier of premium and consistent quality Australian food and beverage products and helped us to move into the market where we believe that our biggest short-term opportunity lies namely, Mozzarella. Since Pizza Hut opened its first store in China in 1990, the consumption of pizza (and hence Mozzarella) has grown dramatically.

In recent months, BFC has restructured its management team in China and has received purchase orders and signed contracts for delivery of a range of dairy and seafood products.

Of significance amongst these orders is our first sales of Mozzarella into the China market.

Penetrating the market in China for Mozzarella to capitalize on the rapidly growing demand for pizza has been a key objective of our China strategy. Once it became available from our Jervois plant, we were able to introduce our Mozzarella into our established relationships, conduct consumer tastings, and procure orders (for delivery from October 2018 onwards).

The demand for Mozzarella in China is forecast to treble over the next few years from around 175,000 tonnes currently to 248,000 tonnes in 2022. The market has been dominated by New Zealand producers over the past 5 years.

With the proven quality of our Mozzarella cheese and the recognised presence which we have established quickly in the domestic (Australian) market for pizza and other Italian style foods, BFC has a significant opportunity to capture a small, but significant share of this lucrative and growing market in China.

The work which has been done in China to build our relationships with distributors and achieve brand recognition is now bearing fruit.

South East Asia

The BFC products that are currently sold in key retailers in Thailand, Singapore and Korean markets using local distributors are; Bulk 20kg Cheddar, Gouda, Kyubu, Mables and Grange Peak, Edwards Crossing mild and hard cheeses.

Our food service products that are widely distributed into the Horeca category throughout the key areas of Thailand through several distributors are;
2Kg Cheddar and Gouda blocks and 2kg shredded Cheddar.

The quota system which is still in place in Thailand until the year 2021 has been both a blessing and a challenge. Strong focus has been placed on how best to maximise our advantage over imported products from other countries through the importation of our Beston range during the January quota window. It has meant that we need to top load on stock intended for use over an extended period. Having available stock in market however, is an advantage for us. Converting bulk stock from Murray Bridge into value added items in Thailand to cover demand for food service product has worked to our advantage and has also assisted in us being more cost competitive.

Key highlights over the FY18 include;

- Over $2.1 million AUD revenue generated throughout the FY18 (which excludes some direct sales of retail items into Singapore & Korea);
- A very strong 126% increase in top line revenue for the 2nd HY period;
- A substantial reduction in outgoing expenditure which has now flatlined into a lean monthly list of expenses;
- An expanded and growing customer base which includes a good number of well established 'quality' distributors;

- Establishment of an integrated and functioning back office, administrative, ordering, accounts and stock reconciliation system in conjunction with administration outsourcing;
- Successful importation of 380MT of stock during the January 2018 quota window which gives us the stock required to continue to trade with our customers consistently through the remainder of the calendar year;
- Development of products and markets for new value-added items using Beston's cheese;

The quota system which is still in place in Thailand until the year 2021 has been both a blessing and a challenge.

- Continued development of a diverse customer base with sales going into several different categories including bulk sales into food processors and food manufacturers, sales into Horeca/Food service as well as sales into retail.

Malaysia has a young, growing and broad group of higher middle-income population. This encourages the consumption of imported food products. There is almost no tariff barrier for imported food products to come into the market except for liquid milk, rice, sugar and alcoholic products. Food categories such as meat and dairy are affected by non-tariff barrier like Halal (specifically JAKIM certification).

The recent change of government in Malaysia (9th May 2018) has contributed to the unsettling of consumer confidence that has slowed down the consumption of imported goods. Retailers and foodservice operators have reported a decline in sales as consumers are becoming more price conscious and reorganised their spending habit during this period. It is hoped that Malaysia consumer confidence will improve towards Q3 of 2018, and we shall expect sales of imported food products to increase gradually.

Key highlights over the FY18 include;

- Incorporated Beston Global Food Company (Malaysia) Sdn Bhd and setting up the business operation to service Malaysia, Brunei and other prospective markets;
- Introduced Edwards Crossing and Kyubu into Malaysia and Brunei; and
- Increased distribution channels for BGFC's product in Malaysia (new distributors; extending retail products to foodservice).

Financial Summary

Group sales revenues for the year were $47.9 million, an increase of 101% over FY 2017 sales of $23.8 million. The increase is due almost entirely to increased sales of dairy products in FY18 reflecting the higher milk supply compared to FY 2017.

Gross margin on sales was again strong, averaging 32% across BFC's product range.

Despite the strong sales growth, and solid gross margins, the Group overall reported a statutory loss of $12.6 million.

The result is disappointing, especially against where we expected the company to be at this point in its development and can be attributed, substantially to timing delays and increased costs in obtaining delivery of and installing the Company's new Mozzarella plant at Jervois, South Australia, and unanticipated costs in China as well as costs associated with scaling up the Company's operations and sales, both nationally and internationally.

The installation and commissioning of the Mozzarella plant was six months later than planned due to unplanned delays from the manufacturer. BFC reported that it had commenced achieving commercial sales of its Mozzarella products in May of this year. The consequence of these delays meant that approximately two-thirds of the planned sales of Mozzarella (and derivative products) in the second half of FY18 did not occur as expected. Rather milk supply was largely diverted into the production of cheddar and other hard cheeses.

The diversion of milk production into cheddar, which typically requires between 3 and 9 months maturation in storage before becoming saleable, had four significant impacts:

- Firstly, during the early part of FY18, there was reduced volume of product available for sale as the increased cheddar stocks matured;
- Secondly, the high value by-products of Mozzarella production, that is cream and whey, were not produced during the six months period as anticipated thereby reducing margins;
- Thirdly, the prices received for cheddar when sold into wholesale markets tend to be influenced by international commodity prices, which fell away in the second half of the year at the time when our cheddar became available for sale; and
- Fourthly, lower production limited the recovery of indirect factory costs which were consequently expensed.

The consequence of the timing delay in commissioning our new $26.5 million state-of-the-art Mozzarella plant, and the flow-on effects as above, meant that sales of cheese and related products in FY18 were substantially below plan. Moreover, the Company increased its workforce in the second half to deal with the installation and commissioning of the Mozzarella plant and incurred considerably more expenditure in this process than anticipated.

The sales of cheddar are largely deferred which is reflected in the high cheese inventory holding at 30 June 2018.

The overall impact of higher expenditures and lower sales and earned margins in the second half was to reduce reported profit in FY18 by $11 million.

In reflecting on the loss incurred in the FY18, as previously explained to Shareholders, BFC has had to embark on its dairy infrastructure build out, including the installation of a Mozzarella plant without the revenue and earnings "cover" which was to have been provided from the point of IPO by the sales commitments from one of the Company's IPO cornerstone investors. Furthermore, the investee companies in which we hold minority interests – Ferguson and Neptune Bio Innovations, have not performed to the levels expected, either against previous historical results or the forecasts prepared by independent professional firms, and have therefore not paid dividends to BFC as expected.

The Ferguson family has initiated a process to sell the entire Ferguson fisheries business which if successful may see BFC also exit its 32% investment Fergusons Australia Pty Ltd. At Neptune Bio-Innovations, the majority owners are planning to raise additional funds to finance the next stage of NBI's growth, either via the Company's brands or via other options to be put forward by interested parties.

Corporate Governance

Beston Global Food Company Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Beston Global Food Company Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 Corporate Governance Statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 Corporate Governance Statement has been approved by the Board.

A description of the Company's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at www.bestonglobalfoods.com.au .

The Path Forward

The Directors believe that there are good reasons to be confident about the future direction, and performance, of the Company. Among them are:

Infrastructure built

We have successfully completed the infrastructure build-out that we foreshadowed at the outset would take 2 to 3 years. We have done so without the sales revenue (and profit) support promised by one of our IPO cornerstone investors. The hard work has been done and management is now building on the foundations put in place.

Financial performance on the uplift

Having completed the infrastructure build-out in its Dairy Division and having commissioned the new Mozzarella plant, the Company has returned to profitable trading and is cash flow positive.

With the Mozzarella plant up and running, and producing premium quality product, we have generated several new, high margin revenue streams. We have the flexibility to channel milk into hard cheese production (at Murray Bridge) or into Mozzarella production (at Jervois) which also produces high value cream and butter as by-products. We now have much higher volumes of whey (and whey powder) being produced as well as consequence of our increased milk throughput. Since the Mozzarella plant came on stream, BFC has generated additional revenues of around $20 million on an annualised basis.

The result is that the Company has turned the corner and is looking at a stronger financial performance in the year ahead.

Incremental profit opportunities from completion of the Dairy infrastructure build-out

The installation of the Mozzarella plant and the completion of the dairy infrastructure build-out at Jervois and Murray Bridge has provided the opportunity to extract synergistic operational benefits between the two plants and achieve incremental profit at minimal marginal cost (for example, by collecting the cheese "fines" which otherwise pass out of the plant in the whey liquid and reintroducing them into the production process to increase yields).

The Directors believe that there are good reasons to be confident about the future direction, and performance, of the Company.

The announcement made by the Company re winning a contract for the sale of 200 tonnes of Mozzarella each month from August 2018 with a major Australian retailer is a significant milestone. This contract and securing SQF accreditation, has endorsed both the quality of the production process and the quality of the Mozzarella product now being produced at our Jervois factory.

The Jervois plant was previously extremely well known in industry circles for producing premium Mozzarella cheese under the brand name "Caboolture" prior to this brand being sold by the Receivers. BFC has replicated this premium quality into "Edwards Crossing" Mozzarella now being produced at Jervois.

Brands now well established

Over the past three years, BFC has built eight new brands and over 50 different product offerings. The cost of developing these brands is reflected in the Company's P&L statements and is not recognised in the balance sheet. BFC's cheese products have won 70 Champion, Gold, Silver and Bronze awards over this same period in Australian and international dairy competitions. The Company's cheese brands are now well established in the domestic retail and wholesale markets and attracting increasing interest from the major companies operating in these markets.

From an investor standpoint, the brands created by BFC obviously have value. The higher the sales attributed to a brand, the higher the value.

Proven capability and agility in the development of new products

BFC has shown that it is able to respond to changing market conditions and customer needs very quickly. We have done so, for example, in developing a flavoured cheese product for the Asia market "Kyubu", creating an adult snacking product "Fancy Bites" specifically for this fastest growing segment of the dairy market and developing specialty health focussed cheeses for the rapidly growing Mexican food chain, Guzman y Gomez. BFC has demonstrated that it can be nimble in responding to customer needs and think outside the boundaries of our existing (traditional) markets. This is a competitive advantage which our sales team is utilising to win new customers and markets.

Well positioned in Australia's growing food industry

BFC is the largest company in the Australian dairy industry outside of the multinationals and the 7th largest in Australia. Significant recent acquisitions of dairy companies and assets in Australia, at high price-earnings multiples,


523

have recognised the increasing value proposition of the Australian dairy industry. Acquisition of the next ten dairy companies, in size, in Australia would provide less than half of BFC's production capacity and, based on the price-earnings multiples paid in recent transactions, cost more than twice the market capitalisation of BFC. In addition, BFC has investments in the meat, seafood and health and nutrition industries in Australia.

Point of difference in food manufacture

BFC was established with a specific objective of taking healthy, nutritious, premium quality and verifiably safe food and beverage products to the growing consumer markets of the world. Our positioning in the market place with low salt and low fat cheese and meat products which are free of artificial colourings, additives, accelerants or preservatives, has created a point of difference which is increasingly being recognised and appreciated by more health conscious consumers. Consumers are looking for more natural foods that are free from unnatural additives and that come from trusted sources. This point of difference sets us apart from much of the dietary homogenisation in food products produced by the large multi-national food companies.

Poised to switch on Dairy Protein Extraction plant

When BFC acquired our Jervois dairy factory, we also separately acquired the adjoining Dairy Protein Extraction Plant. Until the Mozzarella plant was installed and commissioned, we did not have sufficient whey liquid to provide the feedstock to operate this plant.

With the Mozzarella line coming into production, we now have more than an adequate supply of liquid whey to operate the Dairy Protein Extraction plant on an economic basis. BFC has, over the last three years expensed funds to restore and upgrade the Dairy Protein Extraction plant in order to produce three nutraceutical products:

- Lactoferrin (LF)
- Lactoperoxidase (LP)
- Immunoglobulin (IgG)

The nutraceuticals produced from the fractionation of dairy whey (i.e. LF, LP and IgG) command relatively high prices in the market place and thereby relatively high returns against the low cost feedstock of whey liquid, a by-product of cheese making. BFC anticipates to be in a position to "switch on" its dairy protein fractionation towards the end of this calendar year, assuming that there is no change in the global market for dairy nutraceuticals.

Capitalising on our 'ground work' in China

The development of our brand presence in China has been painstaking and costly over the last three years. Nevertheless, we have "stayed the course" because of the potential dividends: the sheer size of the market (the largest consumer market in the world) and the transition to zero tariffs on Australian food imports into China by 2020 (ChAFTA Free Trade Agreement).

With the purchase orders and signed contracts received by BFC in recent months for a range of dairy and seafood products, the China office is expected to more than cover its costs in the FY19 financial year. Of particular

significance, amongst these orders is our first sales of Mozzarella into the China market. The demand for Mozzarella cheese is increasing rapidly in China as the appetite for pizza grows especially amongst the nation's younger groups. BFC is well placed to capitalise on this emerging trend in pizza consumption in China with our premium Mozzarella as well as by taking our other food products into retail and food service markets in China (i.e. as tariffs come down and demand goes up).

BFC also recently made its first sale of Mozzarella into Vietnam, where similar trends in pizza consumption are starting to emerge.

Scorpio restructure complete and under new management

BFC initially held a 40% beneficial interest in Scorpio Food Pty Ltd ("Scorpio") and in early January 2018, entered into an agreement to take management control and acquire the whole of Scorpio. A transformational restructuring of the business was subsequently undertaken which has included the closure of Scorpio's operations at Colac, Victoria, the sale of the Colac building, the consolidation of all operations at the Scorpio factory at Shepparton, Victoria and the appointment of a new General Manager, Mr Luke Bramston (formerly Managing Director of Cater Fair, a subsidiary of Top Cut Meats).

Under the terms of the buy-out agreement, BFC received interest on its convertible notes and loans to Scorpio during the year until the acquisition was formally completed on 22 August 2018.

The work done to transform and consolidate Scorpio has significantly improved the financial viability of the business, the benefits of which are expected to start to flow through to BFC by way of profit contribution in the 2018-19 financial year. In addition to increasing sales in traditional areas of the business, under its new leadership Scorpio is heavily focussed on value-added cut portion control and cooked foods as part of its forward strategy.

Consumers are looking for more natural foods that are free from unnatural additives and that come from trusted sources.

Commercialisation of Beston Technologies in progress

BFC has previously advised Shareholders of its intention to commercialise our Beston Technologies Pty Ltd (BT) business to allow it to realise its full potential. BFC has expended significant funds to develop its OZIRS/Brandlok technologies and sees the opportunity to have the technology utilised by other food companies to provide food traceability/assurance to consumers in Australia, Asia and elsewhere to combat food counterfeiting.

In February of this year, BFC announced a merger with Data Dot Technology Ltd (DDT) which values BT at $13 million, reflecting an independent valuation of BT's technology by Deloitte Finance Ltd. The proposed merger was subject to a number of provisions, including due diligence, preparation of a business plan for the merged company (MergeCo) and a capital raising to fund MergeCo.

Late in FY18, the respective Boards of BFC and DDT resolved that more work is needed to conclude supply agreements with key customers to underpin the revenue base for MergeCo and support the intended capital raising. In order to complete this additional work BFC an DDT have entered into a joint venture framework with a view to enabling a final decision to be taken by late February, 2019.

The cost of food fraud, in the global economy has been estimated at over $60 Billion a year. Australia's reputation as a supplier of high quality and safe food and beverage products has made it a target for counterfeit products.

BFC believes it is in a unique position to further commercialise and extract value from its investment to date via the track-and-trace and anti-counterfeiting technology developed within Beston Technologies.

Sound financial position

Notwithstanding the disappointing FY18 statutory financial results, BFC remains in a sound financial position.

The Company has put in place several working capital facilities during the past financial year in order to fund the growth in milk purchases.

At 30 June 2018, the Group had net borrowings of $16.9 million comprising total borrowings of $21.4 million offset by cash held of $4.5 million. Gearing (net debt/equity) was a modest 14%. Mozzarella sales are increasing significantly through the early months of the new financial year and inventory levels are reducing which is expected to drive a lower level of working capital to be funded.

The Group has the capacity to increase borrowings to fund expansion activities if required. The Board considers that net gearing of up to 30% may be appropriate over time as the operating cash flow continues to grow to support that level of borrowings (in line with the IPO Prospectus).

Since balance date, the Company has agreed with its bankers to restructure its debt into a more appropriate mix of long-term and short-term facilities.

The Path Forward CONTINUED

Sales team restructured with expanded focus in key market segments

The total sales revenues of BFC in FY18 doubled over the previous year (from $23.8 million in FY17 to $47.9 million). Sales are expected to approximately double again in this FY19 financial year on the back of the increased milk supply and the start-up of the Mozzarella plant along with improved performance at Scorpio.

Sales of cheese and related products from the dairy factories during January to May averaged $2.6 million per month. This new rate has since more than doubled with July sales from the dairy factories of $5.5 million. This will increase again in August with the commencement of the 200MT per month Mozzarella supply contract and continue to grow with a further take up of our products by other customers.

With the lift in our overall dairy production from 10,000 tonnes per annum (cheddar and other hard cheeses only) to 24,500 metric tonnes per annum (Mozzarella and hard cheeses) our sales team has been restructured and expanded in size and breadth to accelerate our entry into key domestic markets.

Additional sales staff, with extensive industry experience, have been appointed in the Eastern States to provide national coverage in key market segments, including retail, distribution, food manufacturing and quick service restaurants. The sales action plans which have been put in place as part of the restructure of the sales team recognise the importance of "walking in the shoes of our customers" to ensure that our products as well as our processes and procedures deliver on customer expectations.

Our Sales Team is now headed by David Wilson, Group General Manager, Sales and Marketing who has had a highly credentialled career in the food industry, working with both multinational and Australian companies in the food, beverage and tobacco industries.

Forward contracts have been put in place to lock in revenues on several dairy products sold by BFC into the "food ingredients" industries as a result of increased market demand and pricing (e.g., much of the whey powder produced at our powder plant has been forward sold to meet the increase in domestic consumption of starches for feedstock due to the drought).

Opportunity to realise on shareholdings in investee companies

BFC currently holds shares and/or other beneficial interests in two companies - seafood company Ferguson Australia Pty Ltd and health/nutrition company Neptune Bio-Innovations Pty Ltd, which are currently engaged in separate sales processes. The reasons for the decisions by the investee companies to place themselves on the market for sale vary in each case.

Ferguson Australia

The Ferguson family has decided to place their 68% shareholding in Ferguson Australia Pty Ltd and other seafood assets on the market for sale. The sale process is being conducted by private tender through a specialist firm appointed by the Ferguson family.

BFC does not intend ot purchase the Fergusons' shareholdings and depending on the outcome of the process may exercise its rights under "drag-along and tag-along" provisions in the Shareholders Agreement to exit the investment. BFC holds lobster licences and the Five Star seafood processing property (leased to Ferguson Australia) which may be sold as part of the overall sales process.

BFC expects to realise at least the book value of its assets through the sale process if it exits its investment. It is the Company's intention to put supply agreements in place with the new owners to access seafood products for supply to BFC's existing markets.

Neptune Bio Innovations

Following the receipt of a number of unsolicited offers in relation to their business (and its products), the major Shareholders of NBI have resolved to run a formal process to raise additional funds to finance the next stage of growth of the Company's products and/or invite offers for NBI and/or its brands, products and formulations.

Over the last few years, NBI has developed into an innovative food and consumer health product manufacturer with in-house scientific R&D capabilities with four brands in market and 17 SKUs. NBI products are now stocked in an increasing number of key Australian grocery and pharmacy chains and revenues have been growing quarter by quarter.

Conclusion

With the commissioning of our Mozzarella plant, the restructuring of our sales team and other initiatives as outlined above, the Board is of the view that the Company is well on track to increasing top line revenues, margins and profits. We have been building strong relationships in our domestic markets as well as overseas. We know that we have excellent products and continue to make significant inroads into our key market segments. The confidence of the Board in the future direction of the Company is underscored by the fact that a number of the Directors of BFC have significantly increased their shareholdings in the Company over the past twelve months.

Financial Report

Directors' Report

The Directors present their report on the consolidated entity consisting of Beston Global Food Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were Directors of Beston Global Food Company Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

R N Sexton

S Gerlach

P Coventry

J Kouts

I McPhee

C Cooper

Principal activities

During the year the principal continuing activities of the Group consisted of:

(a) Marketing and distribution of dairy, seafood, meat, wine, water, health and nutrition products into local and international markets.
(b) Production of milk, cheese and other dairy related products.
(c) Production and processing of meat products.
(d) Development and production of health and well-being focused food, beverage and pharmaceutical products.
(e) Processing of high pH natural spring water.
(f) Development and commercialisation of end-to-end food traceability and anti-counterfeit technology.
(g) Development and commercialisation of a premium food e-commerce platform.

Dividends - Beston Global Food Company Limited

There were no dividends provided for during the year ended 30 June 2018 (2017: nil).

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 97 to 111.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Events since the end of the financial year

On August 23 2018, the Group acquired 100% of the issued shares in Scorpio Foods Pty Ltd, a processor and exporter of quality meat products, for consideration of $2,747,540 (see note 17).

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Refer to the operating and financial review on pages 97 to 111 for information on likely developments and future prospects of the Group.

Environmental regulation

Beston Pure Dairies Pty Ltd ("BPD") and Beston Farms Pty Ltd ("Beston Farms") operate under separate SA EPA Environmental licences. These licences impose conditions to regulate activities that have the potential to harm the environment.

BPD and Beston Farms operate their wastewater discharge to the local sewer system under Trade Waste licences regulated by SA Water pursuant to section 56 of the *Water Industry Act 2012* and Section 28(3) of the EPA's *Code of Practice for Milking Shed Effluent 2003*.

The Trade Waste licence authorises them to discharge trade waste into SA Water's sewer system in accordance with the specific terms and conditions set out in the licences.

BPD is also a mandatory reporter under the National Pollutant Inventory legislation, which requires it to measure and report specific emission to ensure that the community has access to information about the emission and transfer of toxic substances which may affect them locally.

BPD has appointed a Quality and Environment Manager responsible for the development and implementation of strategies to meet all of the conditions of the licences. The Work Health & Safety Coordinator and Maintenance Manager assist in ensuring compliance activities are completed and maintained.

Group compliance activities include:

- Environmental management and emergency response planning
- Stormwater retention and release to aquifer procedures at Murray Bridge
- Weekly reporting of Murray Bridge trade waste discharge data to SA Water
- Periodic sampling and independent testing of trade wastewater discharges from Murray Bridge
- Periodic testing of river, bore and wastewater at the Jervois site
- Periodic soil testing of the treated wastewater discharge sites around Jervois

Beston Farms, with expanding herds, has initiated a significant capital upgrade program to ensure current back-up systems (which are compliant) are replaced by upgraded permanent operational requirements, particularly as it applies to the handling of the volume of waste water generated from the milking shed and associated yards at all times of the year.

There have been no significant known breaches of the Group's licence conditions or any environmental regulations to which it is subject.

Information on directors

Roger Sexton, AM B.Ec. (Hons), M.Ec., PhD (Econ), FAICD, FAIM, S.F.Fin, C.Univ. *Chair - non-executive*		
Experience and expertise	Dr Roger Sexton is an investment banker and a company director. He has extensive experience in the agricultural sector, having worked in senior positions with the Bureau of Agricultural Economics. Roger also has had extensive experience overseas and particularly in China and the Asia Pacific, as a result of leading trade and investment missions to the region for more than 30 years and from working on investment banking transactions in the region. Roger is actively engaged in a number of community organisations, including as Chairman and Principal Patron of the Freemasons Foundation Men's Health Centre at the University of Adelaide.	
Other current directorships	• Chairman of the Investment Manager, Beston Pacific Asset Management Pty Ltd • Chairman, KeyInvest Limited • Director, IBISWorld Pty Ltd	
Former directorships in last 3 years	Roger has served on the Australian Accounting Standards Board and was an Executive Director of the Industries Assistance Commission (now Productivity Commission), specialising in rural industries.	
Special responsibilities	• Founder of Beston Global Food Company Limited • Chair of the Board • Member of audit and risk committee	
Interests in shares	Ordinary shares	18,306,215

Stephen Gerlach, AM LL.B, FAICD *Non-executive director*		
Experience and expertise	Stephen Gerlach is a corporate adviser and company director. He was formerly a Partner and the Managing Partner of Finlaysons Lawyers for 23 years. Stephen is also the Chancellor of Flinders University of South Australia. Stephen was a Director and Chairman of Santos Ltd, and Elders Limited, and Chairman of Equatorial Mining Ltd. Stephen has also been a Director of a number of other public companies, and has been, and continues to be, involved in many not for profit professional associations.	
Other current directorships	• Director of the Investment Manager, Beston Pacific Asset Management Pty Ltd • Chairman, Ebony Energy Limited • Chairman, Adelaide Capital Partners Pty Ltd • Chairman, S Gerlach Pty Ltd • Director, Gerlach Asset Development Pty Ltd	
Former directorships in last 3 years	-	
Special responsibilities	• Member of remuneration and nomination committee	
Interests in shares	Ordinary shares	3,476,445

Information on directors (continued)

Petrina Coventry, B.Ed., M. Phil. (Ethics), MBA, EMBA, FAHRI *Non-executive director*		
Experience and expertise	Petrina has spent over twenty years working in Asia, the United States and Europe in global leadership and director roles with The General Electric Company, The Coca Cola Company and Procter and Gamble. Her experience covers multiple industries including energy, technology, education, fast moving consumer goods and financial services. Her work in organisational transformation, company performance and governance has led to increased involvement with governments, industry associations and consulting groups across the Asian region. Petrina is an ethicist by background, is an Industry professor at Adelaide University and is completing her PhD with Melbourne University.	
Other current directorships	• Director, Australasian Association of Philosophy	
Former directorships in last 3 years	• Director, Australian Human Resources Institute	
Special responsibilities	• Chair of remuneration and nomination committee	
Interests in shares	Ordinary shares	57,142

Jim Kouts, BA (Journalism), FAICD *Non-executive director*		
Experience and expertise	Jim has served as a senior executive and director in major companies in the energy, financial service and business tourism industries and has also held various senior positions in the public sector. Through his various roles, Jim has gained strong commercial and contract negotiation skills and has a sound grasp of governance, strategy and strategy implementation. These skills, together with his extensive insight of air freight logistics into Asia, will be valuable on the Board.	
Other current directorships	• Chairman, HomeStart Finance • Director, Adelaide Venue Management Board • Director, Adelaide Convention Bureau • Strategic Advisor, Adelaide Airport Limited	
Former directorships in last 3 years	-	
Special responsibilities	• Member of audit and risk committee • Member of remuneration and nomination committee	
Interests in shares	Ordinary shares	142,857

Ian McPhee, AO PSM, B.Bus., B.A, FCPA, FCA, GAICD *Non-executive director*		
Experience and expertise	Ian served as the Auditor-General of Australia until June 2015. He holds a Bachelor of Business (Accountancy) degree and a Bachelor of Arts (Computing Studies) degree. Ian is a Fellow of CPA Australia and a Fellow of Chartered Accountants Australia and New Zealand. He is currently a Member of the International Ethics Standards Board for Accountants and a Distinguished Honorary Professor at the College of Business and Economics, Australian National University. Ian is also a member of the Council of Central Queensland University. He is the former Deputy Chair of the Australian Accounting Standards Board.	
Other current directorships	- Director, Ian McPhee Consulting Pty Ltd	
Former directorships in last 3 years	-	
Special responsibilities	• Chair of the audit and risk committee	
Interests in shares	Ordinary shares	1,000,000

Catherine Cooper, LL.B, GDLP, FAICD *Non-executive director*		
Experience and expertise	Catherine has a legal and business background with significant expertise in areas such as strategic planning, leadership, innovation and effective governance across a broad industry base including agribusiness, food security, finance and audit, banking and insurance, energy, health and education, and research and development. She has previously chaired the SA Fisheries Council, the SA Dairy Regulator, and The Fleurieu Regional Waste Management Authority, and held directorships at SA Water, National Agrifoods Skills Council and the National Quarantine Export Advisory Council. She is a Commissioner of the Australian Fisheries Management Authority. Catherine currently chairs GPEX, and The Environment Protection Authority SA, and is a director of the Australian Egg Corporation Limited. She has previously held management positions at Fosters Brewing Group, Elders Limited, and Futuris Corporation. Catherine was a finalist in both the 1997 and 1998 Telstra Business Women's Awards.	
Other current directorships	• Commissioner, Deputy Chair, Australian Fisheries Management Authority • Director, Energy Consumers Australia • Chair - GPEX- Medical Education and Training • Director, Environment Protection Agency SA • Director, Australian Egg Corporation Limited • Chair, Council Solutions - Shared services/Procurement • Chair, The Environment Protection Authority SA	
Former directorships in last 3 years	-	
Special responsibilities	• Member of the audit and risk committee	
Interests in shares	Ordinary shares	355,000

Company secretary

Richard Willson, B.Acc, FCPA, FAICD

Mr Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining and agricultural sectors for both publicly listed and private companies.

Mr Willson has a Bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.

In addition to his role as Company Secretary of Beston Global Food Company Limited, he is a Non-Executive Director of Titomic Limited (ASX:TTT), Non-Executive Director of AusTin Mining Limited (ASX:ANW), Non-Executive Director of the not-for-profit Unity Housing Company, Company Secretary of 1414 Degrees Limited (ASX:14D), Patron Resources Limited, Director and Treasurer of Variety SA, and a Director and Company Secretary of numerous other private companies. Richard is the Chairman of the Audit Committee of Titomic Limited and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

Richard has previously been CFO, Company Secretary and Non-Executive Director of a number of ASX Listed Companies. He has significant experience with IPOs, back door listings and capital raisings.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration and nomination	
	A	B	A	B	A	B
R N Sexton	12	12	6	6	-	-
S Gerlach	12	12	-	-	2	2
P Coventry	12	12	-	-	2	2
J Kouts	12	12	-	-	2	2
I McPhee	12	12	6	6	-	-
C Cooper	12	12	6	6	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Remuneration report

The Directors present the Beston Global Food Company Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The remuneration report has been audited.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Executive contracts
(d) Remuneration expenses for non-executive KMP
(e) Directors arrangements
(f) Additional statutory information

(a) Key management personnel covered in this report

R N Sexton	Non-executive Chairman
S Gerlach	Non-executive Director
P Coventry	Independent Non-executive Director
J Kouts	Independent Non-executive Director
I McPhee	Independent Non-executive Director
C Cooper	Independent Non-executive Director

Other key management personnel

Name	Position
S Ebert	Chief Executive Officer
D Flew	Chief Financial Officer

(b) Remuneration policy and link to performance

The Group outsources all of its investment management, valuation, accounting and other administrative functions to Beston Pacific Asset Management Pty Ltd ("BPAM" or "the Investment Manager"). As such, the Group does not remunerate any key management personnel employees directly.

The remuneration and nomination committee comprises three non-executive directors. The committee recommends the director nominees for each annual general meeting and ensures that the audit, compensation and nominating and corporate governance committees of the Board have the benefit of qualified and experienced independent directors. The committee makes recommendations to the Board on remuneration packages and policies applicable to Directors and the management team.

(c) Executive contracts

(i) Management fee

The Group has a formal Investment Management Agreement with BPAM as the Investment Manager to outsource key management activities for a fee of 1.20% (exclusive of GST) per annum of the Group's portfolio value. This fee is calculated half yearly and paid monthly with an initial term of 5 years. During the year ended 30 June 2018, BPAM was paid $2,438,144 under this arrangement (2017: $2,380,498).

(ii) Performance fee

Under the terms of the Investment Management Agreement, BPAM is also entitled to a performance fee based upon the market capitalisation of BFC and the performance of the BFC’s share price relative to the ASX All Ordinaries Accumulation Index. In February 2016, the Directors and BPAM agreed that the commencement date of the performance period would begin from 1 January 2016, with an initial net asset value of $0.3468 per share. In accordance with this agreement and the performance of BFC, the Investment Manager would have been entitled to receive a performance fee of nil for the year ended 30 June 2018 (2017: nil).

Remuneration report (continued)

(c) Executive contracts (continued)

(ii) Performance fee (continued)

The key metrics of the fee are summarised below:

Key metrics	1 July 2017	30 June 2018	Performance
Beston Global Food Company Limited	$0.225	$0.175	-22.22%
ASX All Ordinaries Accumulation Index	$54,897.11	$62,434.90	13.73%

The All Ordinaries Accumulation Index is a benchmark used to measure total investment performance, and is largely used to compare the performance of professionally managed funds. It is a publicly available measurement of the trend of price movements, incorporating the dividends paid.

The performance fee is calculated as follows:

A. Market capitalisation	$77,580,278.47
B. Outperformance factor (BFC TSR% - ASX:XAOAI TSR%)	-35.95%
C. Agreed performance fee %	17.5%
Total performance fee for the 12 months to 30 June 2018: A x B x C	$0.00

Based on the share price performance during the period, no expense has been recognised for the year ended 30 June 2018.

(d) Link between remuneration and performance

Statutory performance indicators

The following table shows key performance indicators for the group over the last three years:

	2018	2017	2016
Profit for the year attributable to owners of ($'000)	(12,593)	(7,749)	(1,716.0)
Net tangible assets per share (cents)	104,585	120,572	107,124.0
Share price at year end	17.5	22.5	40.4
Basic earnings per share (cents)	(2.8)	(182.0)	(0.5)
Dividends payments ($'000)	-	-	2,179

(e) Remuneration expenses for non-executive directors

The following table shows details of the remuneration expense recognised for the Group's non-executive directors for the current and previous financial year measured in accordance with the requirements of the accounting standards.

		Short-term benefits			Post-employment		Long-term benefits	Share-based payments		
Name	Year	Cash salary*	Cash bonus*	Non-monetary benefits*	Super-annuation benefits**	Other post employ-ment benefits**	Annual and long service leave***	Shares	Share options	Total
		$	$	$	$	$	$	$	$	$
R N Sexton	2018	60,000	-	-	5,700	-	-	-	-	65,700
	2017	60,000	-	-	5,700	-	-	-	-	65,700
S Gerlach	2018	40,000	-	-	3,800	-	-	-	-	43,800
	2017	40,000	-	-	3,800	-	-	-	-	43,800
P Coventry	2018	40,000	-	-	3,800	-	-	-	-	43,800
	2017	40,000	-	-	3,800	-	-	-	-	43,800
J Kouts	2018	40,000	-	-	3,800	-	-	-	-	43,800
	2017	40,000	-	-	3,800	-	-	-	-	43,800
I McPhee	2018	40,000	-	-	3,800	-	-	-	-	43,800
	2017	40,000	-	-	3,800	-	-	-	-	43,800
C Cooper	2018	40,000	-	-	3,800	-	-	-	-	43,800
	2017	32,667	-	-	3,103	-	-	-	-	35,770
Total NED	2018	260,000	-	-	24,700	-	-	-	-	284,700
remuneration	2017	252,667	-	-	24,003	-	-	-	-	276,670

** Short-term benefits as per Corporations Regulation 2M.3.03(1) Item 6*
*** Post-employment benefits as per Corporations Regulation 2M.3.03(1) Item 7*
**** Other long-term benefits as per Corporations Regulation 2M.3.03(1) Item 8*

No share-based payment in the form of Founders' Rights options were granted during the year from Beston Global Food Company Limited (2017: $nil). Refer to part (f)(i) of this remuneration report for further details.

(f) Director arrangements

The Board has resolved to provide for non-executive Director's fees (per annum) of up to a maximum of $350,000 in total with effect from Listing.

In addition to earning a Director's fee, a Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any other special duties.

	Annual maximum fee
Dr Roger Sexton AM	$60,000
Mr Stephen Gerlach AM	$40,000
Ms Petrina Coventry	$40,000
Mr Jim Kouts	$40,000
Mr Ian McPhee AO PSM	$40,000
Mr Catherine Cooper	$40,000

In addition, Directors will be entitled to statutory superannuation.

Dr Sexton and Mr Gerlach are shareholders and Directors of the Investment Manager and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager. As directors, shareholders and employees of the Investment Manager, in their respective capacities, they may benefit from the entry by the Investment Manager into the Management Agreement with the Company, through the payment of fees under the Management Agreement.

Remuneration report (continued)

(f) Director arrangements (continued)

The Company believes that the Management Agreement has been entered into on arm's length terms and that the remuneration payable to the Investment Manager is reasonable.

(g) Additional statutory information

(i) Reconciliation of options, deferred shares and ordinary shares held by KMP

Share holdings

2018 Name	Balance at the start of the period	Acquired during the period	Founders rights exercised during the period	Balance at the end of the period
Ordinary shares				
R N Sexton	17,853,205	453,010	-	18,306,215
S Gerlach	3,476,445	-	-	3,476,445
P Coventry	57,142	-	-	57,142
J Kouts	142,857	-	-	142,857
I McPhee	400,000	600,000	-	1,000,000
C Cooper	175,000	180,000	-	355,000
S Ebert	401,194	916,165	-	1,317,359
Total	22,505,843	2,149,175	-	24,655,018

(ii) Loans to key management personnel

No loans were made to KMP or their related parties during the year.

(iii) Other transactions with key management personnel

Grape Ensembles Co Pty Ltd is beneficially controlled by Dr Sexton. Grape Ensembles Co Pty Ltd holds an 80% interest in a company that owns the BRANDLOK intellectual property associated with brand protection seals which has been developed as an anti-counterfeiting device. The Company has an option to purchase Grape Ensembles Co Pty Ltd's 80% shareholding in Brandlock Protection Solutions Pty Ltd ("BBPS"). The purchase price for BBPS has been agreed at the greater of 10 times the net profit after tax of BBPS; the then market value of the 80% holding of BBPS; and $2,000,000. These rights are exercisable by the independent Directors of Beston Global Food Company Limited and include tag along and drag along rights to enable the Company to acquire 100% of BBPS.

Main & Cherry is controlled by a family member of Dr Sexton who has no pecuniary interest in Main & Cherry. During the year, the Group purchased wine stock from Main & Cherry for export into Asia. The purchases were made based on normal commercial terms and conditions.

(g) Additional statutory information (continued)

(iii) Other transactions with key management personnel (continued)

Aggregate amounts for the above transactions with KMP of Beston Global Food Company Limited:

	30 June 2018 $	30 June 2017 $
Amounts recognised as expense		
Cost of goods sold	177,444	1,119,671
Amounts recognised as assets		
Inventory	684,828	3,796,703
Amounts recognised as liabilities		
Trade payables to Main & Cherry	-	4,035,199

There were no other transactions with KMP or their related parties during the year.

This is the end of the audited remuneration report.

Shares under option

(a) Unissued ordinary shares

As at the date of this report, there were no unissued ordinary shares under option.

No options were granted to the Directors or any of the key management personnel of the Company since the end of the financial year.

(b) Shares issued on the exercise of options

No founders' rights have been exercised by KMP and non KMP executives during the financial year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Beston Global Food Company Limited paid a premium of $31,064 to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(b) Indemnity of auditors

Beston Global Food Company Limited has agreed to indemnify their auditors, Ernst & Young Australia, to the extent permitted by law, against any claim by a third party arising from Beston Global Food Company Limited's breach of their agreement. The indemnity stipulates that Beston Global Food Company Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors 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. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Ernst & Young Australia received, or are due to receive, the following amounts for provisions of non-audit services:

	2018 $	2017 $
Other assurance services		
Total remuneration for other assurance services	-	-
Taxation services		
Ernst & Young Australia firm:		
Tax compliance services	84,442	107,204
Total remuneration for taxation services	84,442	107,204
Other services		
Total remuneration for other services	-	-
Total remuneration for non-audit services	84,442	107,204

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

R N Sexton
Chairman

Ernst & Young
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Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Auditor's Independence Declaration to the Directors of Beston Global Food Company Limited

As lead auditor for the audit of Beston Global Food Company Limited for the financial year ended 30 June 2018, I declare 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 Beston Global Food Company Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

BJ Pollock
Partner
Melbourne
28 September 2018

Financial Statements

These financial statements are the consolidated financial statements for the Group consisting of Beston Global Food Company Limited and its subsidiaries. A list of subsidiaries is included in note 14.

The financial statements are presented in the Australian currency.

Beston Global Food Company Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
Beston Global Food Company Limited
Level 9, 420 King William Street
Adelaide South Australia 5000

Its principal place of business is:
Beston Global Food Company Limited
Level 9, 420 King William Street
Adelaide South Australia 5000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on page 1 and in the directors' report on page 16, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 28/09/2018. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Investors' Centre on our website: www.bestonglobalfoods.com.au

Consolidated statement of comprehensive income
For the year ended 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
Revenue from continuing operations			
Sale of goods	2	47,877	23,826
Other revenue	2	382	728
		48,259	24,554
Other income	3(a)	2,796	927
Expenses			
Cost of sales of goods		(32,657)	(14,438)
Other expenses from ordinary activities			
Operating overheads		(20,360)	(10,461)
Selling and distribution		(5,027)	(3,106)
Other		(1,819)	(593)
Corporate overheads and business support		(8,648)	(7,316)
Loss from operations		(17,456)	(10,433)
Finance income	3(c)	1,010	1,247
Finance expenses	3(c)	(60)	(172)
Net finance income		950	1,075
Share of profit/(loss) from associates	10(a)	(22)	(654)
Loss before income tax		(16,528)	(10,012)
Income tax benefit	4	3,435	2,005
Loss for the period from continuing operations		(13,093)	(8,007)
Other comprehensive income			
Exchange differences on translation of foreign operations	9(b)	245	(443)
Other comprehensive loss for the period, net of tax		245	(443)
Total comprehensive loss for the period from continuing operations		(12,848)	(8,450)
Loss is attributable to:			
Owners of Beston Global Food Company Limited		(12,594)	(7,749)
Non-controlling interests		(499)	(258)
		(13,093)	(8,007)
Total comprehensive loss for the period is attributable to:			
Owners of Beston Global Food Company Limited		(12,349)	(8,192)
Non-controlling interests		(499)	(258)
		(12,848)	(8,450)

Consolidated statement of comprehensive income
For the year ended 30 June 2018

		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	20	(2.84)	(1.82)
Diluted earnings/(loss) per share	20	(2.84)	(1.82)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	20	(2.84)	(1.82)
Diluted earnings/(loss) per share	20	(2.84)	(1.82)

Consolidated balance sheet
As at 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	4,463	28,702
Trade and other receivables	5(b)	26,630	18,605
Inventories	6(d)	22,604	11,660
Assets classified as held for sale	7	10,136	1,999
Total current assets		63,833	60,966
Non-current assets			
Receivables	5(b)	5,849	977
Investments	14(c)	11,558	16,275
Property, plant and equipment	6(a)	55,853	44,224
Biological assets	6(b)	4,880	4,400
Deferred tax assets	6(c)	8,351	5,899
Intangible assets	6(e)	8,360	13,568
Total non-current assets		94,851	85,343
Total assets		158,684	146,309
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	14,027	9,818
Borrowings	5(d)	21,444	-
Current tax liabilities	4(a)	45	-
Employee benefit obligations	6(f)	230	137
Total current liabilities		35,746	9,955
Non-current liabilities			
Deferred tax liabilities	6(c)	1,576	2,189
Employee benefit obligations	6(f)	70	25
Total non-current liabilities		1,646	2,214
Total liabilities		37,392	12,169
Net assets		121,292	134,140
EQUITY			
Contributed equity	9(a)	147,535	147,535
Other reserves	9(b)	(237)	(482)
Accumulated losses	9(c)	(26,192)	(13,598)
Capital and reserves attributable to owners of Beston Global Food Company Limited		121,106	133,455
Non-controlling interests	14(b)	186	685
Total equity		121,292	134,140

Consolidated statement of changes in equity
For the year ended 30 June 2018

		Attributable to owners of Beston Global Food Company Limited					
		Share capital $'000	Other reserves $'000	Accum-ulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2016		113,472	5,569	(3,670)	115,371	943	116,314
Profit/(loss) for the period		-	-	(7,749)	(7,749)	(258)	(8,007)
Other comprehensive income/(loss)		-	(443)	-	(443)	-	(443)
Total comprehensive income for the period		-	(443)	(7,749)	(8,192)	(258)	(8,450)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		28,455	-	-	28,455	-	28,455
Dividends provided for or paid		-	-	(2,179)	(2,179)	-	(2,179)
Founders' Rights share reserve		5,608	(5,608)	-	-	-	-
		34,063	(5,608)	(2,179)	26,276	-	26,276
Balance at 30 June 2017		147,535	(482)	(13,598)	133,455	685	134,140
Profit/(loss) for the period	9(c)	-	-	(12,594)	(12,594)	(499)	(13,093)
Other comprehensive income/(loss)	9(c)	-	245	-	245	-	245
Total comprehensive income for the period		-	245	(12,594)	(12,349)	(499)	(12,848)
Balance at 30 June 2018		147,535	(237)	(26,192)	121,106	186	121,292

Consolidated statement of cash flows

For the year ended 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		48,043	34,497
Payments to suppliers and employees (inclusive of goods and services tax)		(77,945)	(46,373)
Interest paid		(60)	(145)
Income taxes paid		-	(367)
Interest received		185	801
Net cash (outflow) from operating activities	10(a)	(29,777)	(11,587)
Cash flows from investing activities			
Payments for acquisition of businesses, net of cash acquired		-	(764)
Proceeds from sale of business	13	(104)	-
Payments for property, plant and equipment	6(a)	(13,672)	(8,325)
Payments for intangible assets	6(e)	(711)	(1,587)
Loans to related parties		(4,270)	-
Proceeds from sale of property, plant and equipment		1,998	-
Repayment of loans by related parties		-	(250)
Advances and redemptions of convertible notes		-	4,737
Payments for livestock	6(b)	(728)	(758)
Proceeds from sale of livestock		371	819
Net cash (outflow) from investing activities		(17,116)	(6,128)
Cash flows from financing activities			
Proceeds from issues of shares	9(a)	-	28,823
Transaction costs on issue of shares	9(a)	-	(368)
Proceeds from borrowings	5(d)	21,444	-
Dividends paid to Company's shareholders	12(b)	-	(2,179)
Proceeds from government grants		1,104	1,172
Loans (to)/from related parties		(213)	66
Net cash inflow from financing activities		22,335	27,514
Net (decrease) increase in cash and cash equivalents		(24,558)	9,799
Cash and cash equivalents at the beginning of the financial year		28,702	19,372
Effects of exchange rate changes on cash and cash equivalents		319	(469)
Cash and cash equivalents at end of period	5(a)	4,463	28,702

Notes to the Consolidated Financial Statements

Contents of the notes to the consolidated financial statements

1 Segment information

(a) Description of segments

The Group's executive management committee, consisting of the Chief Executive Officer and the Chief Financial Officer, examines the Group's performance both from a product and geographic perspective and has identified four reportable segments of its business:

- The Dairy division which owns farms and production plants and uses milk to produce cheese and other dairy products.
- The Seafood division is focused on sourcing and supplying high quality seafood to the markets.
- The Health division targets innovative products for health conscious markets.
- The Meat division brings high quality and innovative meat products to expanding markets.

The executive management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

During the year, management reassessed the identified reportable segments reported to the executive management committee and that the segment disclosure, including comparatives were updated to reflect this.

(2) Segment results

The segment information provided to the executive management committee for the reportable segments for the year ended 30 June 2018 is as follows:

2018	Dairy $'000	Seafood $'000	Health $'000	Meat $'000	Total segments $'000	Adjustments and eliminations $'000	Total $'000
Revenue							
Sale of goods	44,292	295	843	399	45,829	2,048	47,877
Other revenue	382	436	100	-	918	2,260	3,178
Finance income	33	-	61	485	579	431	1,010
Share of profit/(loss) from associates	-	(22)	-	-	(22)	-	(22)
Total revenue	44,707	709	1,004	884	47,304	4,739	52,043
Expenses							
Cost of sales	(26,639)	(293)	(1,032)	(342)	(28,306)	(4,351)	(32,657)
Operating overheads	(16,438)	-	-	-	(16,438)	(3,922)	(20,360)
Selling and distribution	(3,285)	-	(86)	-	(3,371)	(1,656)	(5,027)
Other expenses	(141)	-	(129)	-	(270)	(1,549)	(1,819)
Corporate overheads and business support	(1,218)	(1)	(516)	-	(1,735)	(6,913)	(8,648)
Finance costs	-	-	(62)	-	(62)	2	(60)
Total expenses	(47,721)	(294)	(1,825)	(342)	(50,182)	(18,389)	(68,571)
Operating profit/(loss)	(3,014)	415	(821)	542	(2,878)	(13,650)	(16,528)
Segment profit/(loss)	(3,014)	415	(821)	542	(2,878)	(13,650)	(16,528)
Total segment assets	131,624	10,609	14,733	2,831	159,797	(1,113)	158,684
Total assets includes:							
Capital expenditure	13,540	-	78	-	13,618	54	13,672
Total segment liabilities	(31,396)	(8)	(1,039)	-	(32,443)	(4,949)	(37,392)

(2) Segment results (continued)

There was no impairment charge or other significant non-cash item recognised in 2018.

The segment information provided to the executive management committee for the reportable segments for the year ended 30 June 2017 is as follows:

2017	Dairy $'000	Seafood $'000	Health $'000	Meat $'000	Total segments $'000	Adjustments and eliminations $'000	Total $'000
Revenue							
Sale of goods	19,520	571	770	2,206	23,067	759	23,826
Other revenue	359	424	18	18	819	836	1,655
Finance income	389	-	26	273	688	559	1,247
Share of profit/(loss) from associates	-	(274)	(380)	-	(654)	-	(654)
Total revenue	20,268	721	434	2,497	23,920	2,154	26,074
Expenses							
Cost of sales	(10,726)	(509)	(599)	(2,341)	(14,175)	(263)	(14,438)
Operating overheads	(4,839)	-	-	-	(4,839)	(5,622)	(10,461)
Selling and distribution	(1,179)	(215)	(355)	(318)	(2,067)	(1,039)	(3,106)
Other expenses	(147)	-	(22)	(66)	(235)	(358)	(593)
Corporate overheads and business support	(2,990)	(345)	(915)	(906)	(5,156)	(2,160)	(7,316)
Finance costs	(62)	-	(27)	-	(89)	(83)	(172)
Total expenses	(19,943)	(1,069)	(1,918)	(3,631)	(26,561)	(9,525)	(36,086)
Operating profit/(loss)	325	(348)	(1,484)	(1,134)	(2,641)	(7,371)	(10,012)
Segment profit/(loss)	325	(348)	(1,484)	(1,134)	(2,641)	(7,371)	(10,012)
Total segment assets	145,804	17,385	20,799	7,182	191,170	(44,861)	146,309
Total assets includes:							
Capital expenditure	7,921	-	404	-	8,325	-	8,325
Total segment liabilities	(72,597)	(9,932)	(2,738)	(2,598)	(87,865)	75,696	(12,169)

There was no impairment charge or other significant non-cash item recognised in 2017.

2 Revenue

The Group derives the following types of revenue:

	30 June 2018 $'000	30 June 2017 $'000
Sales revenue	47,877	23,826
Other revenue		
Leasing income	382	708
Management fees	-	20
	382	728
Total revenue	48,259	24,554

(a) Recognising revenue from major business activities

Revenue is recognised for the major business activities using the methods outlined below.

(i) Sale of goods

Revenue from the sale of goods in the course of the ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue for sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing involvement with goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Transfer of risks and rewards varies depending on the individual terms of the contract of sale. For exports of finished goods these criteria are met at the time the product is shipped and delivered to the customer and title and risk have passed to the customer (depending on the delivery conditions) and acceptance of the product has been obtained. Examples of delivery conditions are 'Free on Board point of delivery', 'Costs and Freight point of delivery', 'Costs, Freight and Insurance point of delivery', where the point of delivery may be the shipping warehouse or any other point as agreed in the contract with the customer and where title and risk for the goods pass to the customer.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns and internal quality reviews. Return policies are typically based on customary return arrangements in local markets.

In case of loss under a sales agreement, the loss is recognised immediately.

(ii) Revenue from services

Revenue from services is recognised when the Group can reliably measure the amount of revenue and the associated cost related to the stage of completion of a contract or transaction, and the recovery of the consideration is considered probable.

(iii) Other revenue

See note 22(e) for the recognition and measurement of other revenue.

3 Other income and expense items

(a) Other income

	Notes	30 June 2018 $'000	30 June 2017 $'000
Net gain on disposal of business	13	1,419	-
Fair value adjustment to biological assets		123	-
Other items		1,071	90
Government grants		183	837
		2,796	927

(b) Break down of expenses by nature

	Notes	30 June 2018 $'000	30 June 2017 $'000
Changes in inventories of finished goods and work in progress		(3,764)	(1,191)
Raw materials and consumables used		36,290	14,895
Employee benefits expenses		11,785	6,813
Depreciation and amortisation		2,063	713
Management fees		2,422	2,380
Operating lease expense		1,015	684
Fair value (gain)/loss on revaluation of assets held for sale	7	-	218

(c) Finance income and costs

	Notes	30 June 2018 $'000	30 June 2017 $'000
Finance income			
Interest income		846	1,247
Net exchange gains		164	-
Finance income		1,010	1,247
Finance costs			
Finance charges paid for financial liabilities		(60)	(145)
Net exchange losses	11(a)	-	(27)
		(60)	(172)
Net finance costs		950	1,075

4 Income tax benefit

(a) Income tax benefit

	Notes	30 June 2018 $'000	30 June 2017 $'000
Current tax			
Current tax		45	(469)
Total current tax expense		45	(469)
Deferred income tax			
(Increase) decrease in deferred tax assets	6(c)	(2,870)	(1,803)
Increase (decrease) in deferred tax liabilities	6(c)	(610)	310
Prior year adjustment		-	(43)
Total deferred tax expense/(benefit)		(3,480)	(1,536)
Income tax benefit		(3,435)	(2,005)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2018 $'000	30 June 2017 $'000
Loss from continuing operations before income tax	(16,528)	(10,012)
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	(4,958)	(3,004)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development adjustments (net)	(176)	388
Entertainment	11	-
Share of profit/loss from associates	7	198
Tax rate differentials and non-recognition of foreign DTA's	2,092	227
Overseas entity CFC Profits	16	112
Prior year under/over	-	(49)
Impact of disposal of Beston Dalian	(426)	-
Sundry items	(1)	58
Fair value revaluation on Assets held for sale	-	65
Income tax benefit	(3,435)	(2,005)

(c) Amounts recognised directly in equity

	30 June 2018 $'000	30 June 2017 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: share issue costs	-	(177)

(d) Tax losses

	30 June 2018 $'000	30 June 2017 $'000
Unused tax losses for which no deferred tax asset has been recognised	7,211	170
Potential tax benefit @ 30.0%	2,163	51

The unused tax losses were incurred by a foreign subsidiary that is not part of the Australian tax consolidated group. The Directors have not recognised a deferred tax asset in relation to the tax losses on the basis that the entity is still in its establishment phase. See note 6(c) for information about recognised tax losses and significant judgements made in relation to them.

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

	30 June 2018 $'000	30 June 2017 $'000
Cash at bank and in hand	4,463	28,702

(b) Trade and other receivables

	30 June 2018			30 June 2017		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	14,104	-	14,104	7,555	-	7,555
Provision for impairment (see note 11(b))	(24)	-	(24)	(42)	-	(42)
	14,080	-	14,080	7,513	-	7,513
Receivables from related parties	-	-	-	-	14	14
Other receivables	6,133	5,849	11,982	504	963	1,467
Prepayments	1,100	-	1,100	4,107	-	4,107
Goods and services tax (GST) receivable	2,569	-	2,569	3,733	-	3,733
Convertible notes receivable (ii)	2,748	-	2,748	2,748	-	2,748
	26,630	5,849	32,479	18,605	977	19,582

(i) Loans and receivables

This category is the most relevant to the Group. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11(b) and 22(l) respectively. This category generally applies to trade and other receivables.

$6.1 million of the Other Receivables (current) balance is due from Scorpio Foods Pty Ltd, and has been reviewed further at note 17.

5 Financial assets and financial liabilities

(b) Trade and other receivables (continued)

(ii) Convertible notes receivable

On 25 August 2015, the Group entered into a convertible note with potential to acquire a 40% interest in Scorpio Foods Pty Ltd for an amount of $2,400,000. This note was issued at a 9.5% interest rate, and at the discretion of the Group, may be converted to that number of ordinary shares which equate to 40% of the issued capital of the investee.

Convertible notes are treated as loans and receivables, and carried at amortised cost.

On 11 August 2016, the Group entered into an additional convertible note with Scorpio Foods Pty Ltd for an amount of $300,000. The note was issued at a 9.5% interest rate and converts to that number of shares which equates to 5% of the issued capital of the investee. The Group may convert the note at its discretion.

The Directors consider the embedded derivative component of the convertible notes are not material and therefore it has not been separately brought to account on inception. At balance date, the Directors also consider the movement in the fair value of the embedded derivative not to be material.

On 23 August 2018, the Group formally acquired 100% of the shares of Scorpio Foods Pty Ltd ("Scorpio") pursuant to a Heads of Agreement as advised to market in its ASX release dated 8 February 2018. This action completes the transition of the Group's position from a key financial investor in Scorpio to holding a controlling interest.

Scorpio is a further processor of meats, specialising in developing product solutions for customers. The Group acquired Scorpio because it significantly enlarges the Group's operations within the Meat segment.

The acquisition-date fair value of the total consideration transferred was $2.7 million, being the fair value of convertible notes forgiven on acquisition. In connection with the acquisition the Group also acquired Scorpio's Shepparton property for consideration of $5.95 million.

For further information on the fair value of the convertible note, refer to note 17.

(iii) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11.

(c) Trade and other payables

	30 June 2018 $'000	30 June 2017 $'000
Current liabilities		
Trade payables	7,582	4,607
Amounts due to associates	-	213
Goods and services tax (GST) payable	344	1,930
Accrued expenses	3,072	1,243
Government grants	1,041	120
Payroll liabilities	247	411
Other payables	1,741	1,294
	14,027	9,818

Trade payables are unsecured and are usually paid within 30 days of recognition.

(c) Trade and other payables (continued)

(i) Fair value of trade and other payables

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(d) Borrowings

	Interest rate %	Maturity	2018 $'000	2017 $'000
Current interest-bearing loans and borrowings				
Milk supply facility	3.05%	180 days	14,935	-
Financing facility	3.02%	30 days	5,300	-
Hire purchase	2.35%	June 2023	93	-
Insurance Loan	2.53%	October 2018	957	-
Total current interest-bearing loans and borrowings			21,285	-
Non-current interest-bearing loans and borrowings				
Hire purchase	2.53%	June 2023	159	-
Total interest-bearing loans and borrowings			21,444	-

As all borrowings have been initiated during the current financial period, financing cash flow movements are equal to the borrowings balance at the year end. Refer to the Cash flows from financing activities in the Consolidated statement of cash flows.

(i) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

Of the current borrowings, $5.3m relates to debtor finance, secured by the underlying debtor balances. The remaining bank loans are secured by first mortgages over the Group's freehold land and buildings and water licences. Hire purchase agreements are secured by the underlying asset being financed.

(ii) Unsecured liabilities

The current insurance loan is unsecured and is repayable in instalments by 31 October 2018.

6 Non-financial assets and liabilities

(a) Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
At 1 July 2016						
Cost or fair value	23,536	3,391	11,893	150	127	39,097
Accumulated depreciation	-	(83)	(733)	(7)	(7)	(830)
Net book amount	23,536	3,308	11,160	143	120	38,267
Year ended 30 June 2017						
Opening net book amount	23,536	3,308	11,160	143	120	38,267
Acquisition of subsidiary	-	-	374	-	-	374
Additions	-	848	7,248	155	74	8,325
Assets included in a disposal group classified as held for sale and other disposals	-	-	(254)	(3)	-	(257)
Assets classified as held for sale and other disposals	(1,857)	(257)	(102)	-	-	(2,216)
Depreciation charge	-	(147)	(60)	(41)	(21)	(269)
Closing net book amount	21,679	3,752	18,366	254	173	44,224
At 30 June 2017						
Cost or fair value	21,679	3,975	19,155	302	201	45,312
Accumulated depreciation	-	(223)	(789)	(48)	(28)	(1,088)
Net book amount	21,679	3,752	18,366	254	173	44,224
Year ended 30 June 2018						
Opening net book amount	21,679	3,752	18,366	254	173	44,224
Additions	-	283	13,245	63	81	13,672
Assets included in a disposal group classified as held for sale and other disposals	-	-	(417)	(40)	-	(457)
Assets classified as held for sale and other disposals	(292)	(201)	-	-	-	(493)
Depreciation charge	-	(216)	(788)	(64)	(25)	(1,093)
Closing net book amount	21,387	3,618	30,406	213	229	55,853
At 30 June 2018						
Cost	21,387	4,044	31,534	321	281	57,567
Accumulated depreciation	-	(426)	(1,128)	(108)	(52)	(1,714)
Net book amount	21,387	3,618	30,406	213	229	55,853

(a) Property, plant and equipment (continued)

(i) Depreciation methods and useful lives

Property, plant and equipment is stated at historical cost less depreciation. Land is carried at cost.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives:

- Buildings	20 - 50 years
- Plant and equipment	5 - 40 years
- Furniture, fittings and equipment	3 - 10 years
- Motor vehicles	7 - 15 years

See note 22(o) for the other accounting policies relevant to property, plant and equipment.

(b) Biological assets

	30 June 2018 $'000	30 June 2017 $'000
Livestock	4,880	4,400

Livestock relates to cattle herds at the Pedra Branca and Kurleah dairy farms. Cattle are held primarily for dairy farming purposes.

As at 30 June 2018, the Group held a total of 3,343 cattle (2017 - 2,834).

	30 June 2018 $'000	30 June 2017 $'000
Movements:		
Opening balance	4,400	4,241
Increases due to purchases	728	758
Decreases due to livestock sold	(371)	(604)
Change in fair value	123	5
Closing balance	4,880	4,400

(i) Accounting for biological assets

Biological assets are measured at fair value less cost to sell. Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

Livestock are classified as current assets if they are to be sold within one year.

(ii) Measuring biological assets at fair value

The fair value of cattle is based on the market price of livestock of a similar age, weight, breed and genetic make-up. As these prices are observable, they are deemed to be Level 2 in the fair value hierarchy.

The value of these cattle, comprising principally females and breeding bulls, is determined by independent valuation with reference to prices received from representative sales of breeding cattle similar to the Group's herd. Prices for these cattle are reflective of current market conditions.

Independent valuations were undertaken by Elders Limited. In performing the valuation, consideration is given to the breed, class, age, quality and location of the herd. Direct comparisons are made to recent sales evidence in relevant cattle markets.

6 Non-financial assets and liabilities (continued)

(c) Deferred tax balances

(i) Deferred tax assets

	30 June 2018 $'000	30 June 2017 $'000
The balance comprises temporary differences attributable to: Tax losses and offsets	6,863	4,175
Employee benefits	90	48
Accruals	106	150
Tax only assets	983	1,526
Other		
Other	309	-
Total deferred tax assets	8,351	5,899
Net deferred tax assets	8,351	5,899

Significant estimates

The deferred tax assets include an amount of $3,543,145 which relates to carried forward tax losses of the Australian tax consolidated group. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

(ii) Deferred tax liabilities

	30 June 2018 $'000	30 June 2017 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	340	597
Intangible assets	1,236	1,448
Other	-	144
	1,576	2,189

(iii) Tax consolidation

Members of the tax consolidated group and tax sharing agreement

Beston Global Food Company Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 11 February 2015. Beston Global Food Company Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting
The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. These tax amounts are measured as if each entity in the tax consolidated group continues to be a separate taxable entity in its own right. The nature of the tax funding agreement is discussed further below.

(c) Deferred tax balances (continued)

(iii) Tax consolidation

Tax effect accounting by members of the tax consolidated group

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement
Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the wholly-owned entities fully compensate Beston Global Food Company Limited for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Beston Global Food Company Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amount receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligation to pay tax instalments.

(d) Inventories

	30 June 2018 $'000	30 June 2017 $'000
Current assets		
Raw materials and stores	1,179	1,480
Finished goods – at cost	21,425	10,180
	22,604	11,660

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 22(m) for the Group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Inventories recognised as expense during the year ended 30 June 2018 amounted to $32,656,836 (2017 - $8,538,344).

There were write-downs of inventories during the year of $92,391 (2017 - nil).

6 Non-financial assets and liabilities (continued)

(e) Intangible assets

	Goodwill $'000	Internally generated software* $'000	Customer contracts $'000	Lobster quotas $'000	Water licences $'000	Total $'000
At 1 July 2016						
Cost	535	363	543	4,949	3,959	10,349
Year ended 30 June 2017						
Opening net book amount	535	363	543	4,949	3,959	10,349
Additions - acquisition	-	-	485	-	107	592
Additions - internal development	-	995	-	-	-	995
Acquisitions of businesses	1,312	-	735	-	-	2,047
Assets classified as held for sale	-	-	-	-	(27)	(27)
Amortisation charge	-	(105)	(283)	-	-	(388)
Closing net book amount	1,847	1,253	1,480	4,949	4,039	13,568
At 30 June 2017						
Cost	1,847	1,358	1,763	4,949	4,039	13,956
Accumulation amortisation	-	(105)	(283)	-	-	(388)
Net book amount	1,847	1,253	1,480	4,949	4,039	13,568
Year ended 30 June 2018						
Opening net book amount	1,847	1,253	1,480	4,949	4,039	13,568
Additions - acquisition	-	668	43	-	-	711
Assets classified as held for sale	-	-	-	(4,949)	-	(4,949)
Amortisation charge	-	(223)	(747)	-	-	(970)
Closing net book amount	1,847	1,698	776	-	4,039	8,360
At 30 June 2018						
Cost	1,847	2,026	1,382	-	4,039	9,294
Accumulated amortisation	-	(328)	(606)	-	-	(934)
Net book amount	1,847	1,698	776	-	4,039	8,360

* Software includes capitalised development costs being an internally generated intangible asset.

(i) Amortisation methods and useful lives

For the year ended 30 June 2018, there was amortisation was recognised for the first time in relation to software, as specific assets were deemed in use by the Group. The Group amortises IT development and software from the date of first use, using the straight line method over 3-5 years.

Lobster quotas and water licences have an indefinite useful life and are not amortised:

- Lobster quotas: The Group has the right to the annual lobster quotas over an indefinite period and therefore the lobster quotas have an indefinite useful life.
- Water licences: The Group has the right to use water over an indefinite period and therefore the water licences are considered to have an indefinite useful life.

(e) Intangible assets (continued)

(i) Amortisation methods and useful lives (continued)

Customer contracts were acquired as part of the AQUAessence Pty Ltd and Australian Provincial Cheese Pty Ltd business combinations. They are recognised at their fair value at the date of acquisition and are amortised on a straight-line based on the timing of the projected cash flows of the contracts over their estimated useful lives.

(ii) Impairment tests for goodwill and other indefinite life intangibles

Goodwill and other indefinite life intangibles have been tested for impairment. Based on valuations undertaken of Dairy CGU to which the goodwill relates, goodwill is not impaired. Refer to note 8 for further discussion relating to impairment assessments.

(f) Employee benefit obligations

	30 June 2018			30 June 2017		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations (i)	230	70	300	137	25	162

(i) Leave obligations

The leave obligations cover the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $230,227 (2017 - $49,604) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	30 June 2018 $'000	30 June 2017 $'000
Current leave obligations expected to be settled after 12 months	69	41

7 Assets held for sale

In January 2018, the majority shareholders of the Ferguson Fisheries Group (inclusive of Ferguson Australia Pty Ltd) and the Group decided to sell their respective interests in the Ferguson Fisheries Group and subsequently entered a formal sale process.

The Group concluded that its 32% equity interest in Ferguson Australia Pty Ltd, along with certain property, plant and equipment and intangible assets owned by the Group and leased to Ferguson Australia Pty Ltd, which have been included as part of the sale, should be treated as a disposal group (the 'Ferguson Disposal Group') and classified as assets held for sale as at 30 June 2018. The Group ceased to equity account for the equity investment from 1 January 2018, being the point at which the investment became held for sale.

The Ferguson Disposal Group has been reclassified as held for sale as at 30 June 2018 and separately disclosed within the consolidated balance sheet at the lower of its carrying amount and fair value less costs to sell. The assets comprising the Ferguson Disposal Group are as follows:

	30 June 2018 $'000	30 June 2017 $'000
Assets held for sale		
Investment - Ferguson Australia Pty Ltd	4,694	-
Property, plant and equipment	493	2,217
Intangible assets	4,949	-
Loss on fair valuation of assets held for sale	-	(218)
	10,136	1,999

(a) Management analysis

The fair value of the investment in Ferguson Australia Pty Ltd was determined using the income approach based on level 3 (unobservable) inputs. The valuation was based on an estimate of future cash flows attributable to the investment in Ferguson Australia Pty Ltd covering a five year period, discounted to their present value, less any expected disposal costs. The estimate of future cash flows was determined using unobservable inputs developed by management, using the best information available in the circumstances, including the Group's own data. In developing inputs, the Group began with financial budgets and forecasts approved by senior management covering a five year period.

The pre-tax discount rate applied to the cash flow projections is 10.5% and the cash flows beyond the five year period are extrapolated using a 2.1% growth rate that is the same as the long-term average growth rate. The discount rate represents the current market assessment of the risks specific to the investment, taking into consideration the time value of money.

The fair value of the property, plant and equipment, which is comprised of land and buildings, was determined based on independent external valuations of the assets at 30 June 2018, less expected disposal costs, and constitutes the use of level 2 inputs. The Group's selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group's external valuers determined the market value of land and buildings with reference to price per hectare based on observable market data involving sales of comparable land and buildings in similar locations.

The fair value of intangible assets held for sale, which are comprised of lobster licences, have been determined based on quoted market prices of lobster pots at 30 June 2018, less any expected disposal costs. The lobster licence market does not routinely experience high transaction volumes and is therefore determined not be an active market. As such, the quoted lobster pot prices are considered to be level 2 inputs.

No revaluation loss relating to the reclassification of the Ferguson Disposal Group assets has been recognised as at 30 June 2018.

8 Impairment

(a) Management analysis

The Group performed its annual impairment test in June 2017 and 2018. The Group considered the relationship between its market capitalisation and book value, among other factors, when reviewing for indicators of impairment. At 30 June 2018, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of long-life intangible assets.

Goodwill which has been acquired through business combinations, and intangible assets with indefinite lives such as lobster quotas and water licenses, are related to the Dairy, Seafood and Health CGUs, which are operating and reporting segments for the purposes of impairment testing. These assets have been tested for potential impairment using assumptions relevant for each of the segments. Conservative estimates have been applied to ensure each of the CGUs are robust in their assessment of future cash flows.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments, and is derived from the Group's weighted average cost of capital (WACC).

The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Rates are based on published industry research. Management have intentionally used conservative growth rate estimates when extrapolating cash flows beyond the forecast period. Growth rate estimates of 2.1% were used across all CGUs.

(i) Dairy CGU

The recoverable amount of the Dairy CGU, $205.4 million as at 30 June 2018, has been determined based on a value in use calculation using cash flow projections from financial budgets and forecasts, approved by senior management, and covering a five year period.

The carrying value of goodwill allocated to the Dairy CGU is $1,847,067, and the carrying value of indefinite life intangible assets allocated to the Dairy CGU is $3,834,227.

Key drivers which impact the recoverable amount of the Dairy CGU include:

- The price of milk paid to farmers and other suppliers;
- The volume of milk obtained from farmers and other suppliers; and
- The prices of products sold to customers.

Management have determine that a reasonable possible change in the key assumptions of the value in use calculation would not cause the carrying amount to exceed the recoverable amount of the Dairy CGU. As a result of this analysis management did not identify impairment for this CGU.

8 Impairment (continued)

(b) Key assumptions - Dairy

The calculation of value in use for the Dairy operating segment is most sensitive to the following assumptions:

- Discount rates;
- The price of milk paid to farmers and other suppliers;
- The quantity of milk obtained from farmers and other suppliers; and
- The price of products sold to customers.

Each of the sensitivities below assumes that a specific assumption moves in isolation, while all other assumptions are held constant. A change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

(i) Discount rates

The pre-tax discount rate applied to the cash flow projections is 9.39% and the cash flows beyond the five-year period are extrapolated using a 2.1% growth rate that is the same as the long-term average growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

An increase of the pre-tax discount rate to 10.39% (i.e. +1.0%) in the Dairy CGU would result is a decrease in the recoverable amount of $26.4 million. This decrease would not result in impairment.

(ii) Product sales prices

A decrease of the average product sales price by 5.0% in the Dairy CGU would result is a decrease in the recoverable amount of $143.7 million. This decrease would result in a proposed impairment of $36.5 million.

(iii) Milk supply prices

An increase of the milk supply prices by 10.0% in the Dairy CGU would result is a decrease in the recoverable amount of $105.4 million. This decrease would not result in impairment.

(iv) Milk supply volume

A decrease of the milk supply volumes by 10.0% in the Dairy CGU would result is a decrease in the recoverable amount of $8.0 million. This decrease would not result in impairment.

9 Equity

(a) Contributed equity

	30 June 2018 Shares	30 June 2017 Shares	30 June 2018 $'000	30 June 2017 $'000
Ordinary shares - fully paid	443,315,867	443,315,867	147,535	147,535

(i) Movements in ordinary share capital

	Number of shares	$'000
Opening balance 1 July 2016	363,241,052	113,472
Share issue via placement - 31 August 2016	64,051,111	28,823
Exercise of Founders' Rights	16,023,704	5,608
	443,315,867	147,903
Less: Equity raising costs	-	(368)
Balance 30 June 2017	443,315,867	147,535
	443,315,867	147,535
Balance 30 June 2018	443,315,867	147,535

(ii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the 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.

(b) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	30 June 2018 $'000	30 June 2017 $'000
Share-based payments	9	9
Foreign currency translation	(246)	(491)
	(237)	(482)

9 Equity (continued)

(b) Other reserves (continued)

	30 June 2018 $'000	30 June 2017 $'000
Movements:		
Share-based payments		
Opening balance	9	5,617
Employee Share Trust to employees	-	(5,608)
Balance 30 June	9	9
Foreign currency translation		
Opening balance	(491)	(48)
Currency translation differences arising during the year	245	(443)
Balance 30 June	(246)	(491)

(i) Nature and purpose of other reserves

Share-based payments

The share-based payments reserve is used to recognise Founders' Rights issued to non-executive Directors. This represents the fair value at grant date.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 22(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	Notes	30 June 2018 $'000	30 June 2017 $'000
Opening balance		(13,598)	(3,670)
Net loss for the period attributable to equity holders of the parent		(12,594)	(7,749)
Dividends	12(b)	-	(2,179)
Balance 30 June		(26,192)	(13,598)

10 Cash flow information

(a) Reconciliation of loss after income tax to net cash outflow from operating activities

	Notes	30 June 2018 $'000	30 June 2017 $'000
Loss for the year		(13,093)	(8,007)
Adjustment for			
Depreciation and amortisation	3(b)	2,096	713
Bad debts written off		860	440
Net loss on disposal of fixed assets		(1,418)	257
Fair value adjustment to biological assets		(123)	(5)
Share of loss from associates		22	654
Foreign exchange loss		(164)	27
Inventory write-off		1,468	92
Gain on disposal of livestock		33	(215)
Grant income received		(183)	(837)
Change in operating assets and liabilities:			
(Decrease)/Increase in trade and other receivables		(17,044)	679
Increase in inventories		(16,099)	(3,787)
Increase in deferred tax assets		(2,870)	(1,803)
Increase in trade and other payables		17,164	669
(Decrease)/Increase in provision for income taxes payable		45	(875)
(Decrease)/Increase in deferred tax liabilities		(610)	306
Increase in other provisions		139	105
Net cash inflow (outflow) from operating activities		(29,777)	(11,587)

11 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context. Senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2018		30 June 2017		
	CNY $'000	THB $'000	USD $'000	CNY $'000	THB $'000
Trade receivables	506	332	1	682	416
Trade payables	(266)	(41)	(19)	(12)	(34)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign exchange related amounts were recognised in profit or loss:

	30 June 2018 $'000	30 June 2017 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	164	(27)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the period	164	(27)

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates is summarised below. Given the foreign currency balances included in the consolidated balance sheet at balance date, if the Australian dollar at that date strengthened by 10% with all other variables held constant, then the impact on post tax profit/(loss) arising on the balance sheet exposure would be as follows:

	Impact on post-tax profit	
Index	2018 $'000	2017 $'000
THB/AUD exchange rate - increase 10%	(24)	(32)
THB/AUD exchange rate - decrease 10%	30	39
CNY/AUD exchange rate - increase 10%	(22)	(61)
CNY/AUD exchange rate - decrease 10%	27	74
USD/AUD exchange rate - increase 10%	-	(54)
USD/AUD exchange rate - decrease 10%	-	209

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's external debt facilities and cash at bank held at variable rates.

	30 June 2018 $'000	30 June 2017 $'000
Cash and cash equivalents	4,463	28,702
Borrowings	(21,443)	-
	(16,980)	28,702

Sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2018, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been impacted as follows:

	Impact on post-tax profit and equity	
	2018 $'000	2017 $'000
Interest rates - increase by 100 basis points	56	240
Interest rates - decrease by 100 basis points	(104)	(240)

(iii) Price risk

Exposure

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of milk and manufacture of cheddar and other cheese products, in addition to seafood and therefore require a continuous supply of milk and seafood. The Group manages commodity risk by where possible entering into longer term relationships with key suppliers that create more certainty around key commodity prices.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets (refer note 5(b)).

(i) Risk management

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Management have regular reporting and assessment of key customers credit risk in order to manage this.

11 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor; and
- probability that the debtor will enter bankruptcy or financial reorganisation.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 21(n)(v) for information about how impairment losses are calculated.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	30 June 2018 $'000	30 June 2017 $'000
At 1 July	42	-
Provision for impairment recognised during the year	842	469
Receivables written off during the year as uncollectible	(860)	(427)
At 30 June	24	42

(iii) Past due but not impaired

As at 30 June 2018, trade receivables of $3,114,984 (2017 - $4,137,375) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	30 June 2018 $'000	30 June 2017 $'000
Up to 3 months	2,707	1,995
3 to 6 months	243	1,213
6 to 9 months	165	929
	3,115	4,137

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a sufficient cash surplus in order to pay its debts as and when they fall due.

All financial liabilities of the Group are non-derivatives and have contractual maturities of up to 6 months.

(i) Maturities of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities At 30 June 2018	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives						
Trade and other payables	10,073	3,954	-	-	-	14,027
Borrowings (excluding finance leases)	-	12,809	8,461	-	-	21,270
Finance lease liabilities	-	23	70	175	-	268
Total non-derivatives	10,073	16,786	8,531	175	-	35,565

12 Capital management

(a) Risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.

In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(b) Dividends

There were no dividends provided for during the year ended 30 June 2018 (2017: $nil).

13 Business combination and disposals

On 31 December 2017, the Group disposed of its investment in Beston Global Food Company (Dalian) Limited. The financial statements include the results of the disposal from the disposal date.

	30 June 2018 $'000
Loan Consideration:	
Beston Global Food Company (Dalian) Limited	3,896
New Benefit International Investment Limited	1,800
less: unwind of Foreign currency Translation Reserve	(89)
Less: Assets disposed	
Cash	(104)
Trade and Other Receivables	(1,092)
Prepayments	(168)
Inventory	(3,301)
Property, Plant & Equipment	(36)
Deferred Tax Asset	(415)
Add: Liabilities disposed	
Accounts Payable	18
Payroll Liabilities	27
Other liabilities	883
Gain on disposal of Entity	1,419

There were no business acquisitions for the period.

14 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation and operation	Ownership interest held by the Group 2018 %	Ownership interest held by the Group 2017 %	Ownership interest held by NCI 2018 %	Ownership interest held by NCI 2017 %	Principal activities
Beston Global Food Company Limited	Australia	100.0	100.0	-	-	Food services
Beston Farms Pty Ltd	Australia	100.0	100.0	-	-	Dairy farming
Beston Dairies Pty Ltd	Australia	100.0	100.0	-	-	Dairy production
Beston Pure Foods (Australia) Pty Ltd	Australia	100.0	100.0	-	-	Sales and distribution
Beston Global Food (Thailand) Company Limited	Thailand	98.0	98.0	2.0	2.0	Sales and distribution
Beston Global Food Company (Hong Kong) Limited	Hong Kong	100.0	100.0	-	-	Sales and distribution
Beston Global Food Company (Dalian) Limited	China	-	100.0	-	-	Sales and distribution
Beston Food (Shanghai) Co. Limited	China	100.0	-	-	-	Sales and distribution
Beston Technologies Pty Ltd	Australia	100.0	100.0	-	-	Technology developer
AQUAessence Pty Ltd	Australia	51.0	51.0	49.0	49.0	Water products

(b) Non-controlling interests (NCI)

	30 June 2018 $'000	30 June 2017 $'000
Interest in:		
Share capital	186	685

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

(b) Non-controlling interests (NCI) (continued)

	AQUAessence Pty Ltd	
Summarised balance sheet	30 June 2018 $'000	30 June 2017 $'000
Current assets	171	400
Current liabilities	1,037	524
Current net assets	(866)	(124)
Non-current assets	1,236	2,155
Non-current liabilities	-	794
Non-current net assets	1,236	1,361
Net assets	370	1,237
Accumulated NCI	181	606

	AQUAessence Pty Ltd	
Summarised statement of comprehensive income	30 June 2018 $'000	30 June 2017 $'000
Revenue	308	319
Profit/(loss) for the period	(1,020)	(720)
Total comprehensive income	(1,020)	(720)
Profit/(loss) allocated to NCI	(500)	(353)

	AQUAessence Pty Ltd	
Summarised cash flows	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities	331	470
Cash flows from investing activities	(308)	(403)
Cash flows from financing activities	(62)	(26)
Net increases/(decrease) in cash and cash equivalents	(39)	41

14 Interests in other entities (continued)

(c) Investments

Name of entity	Country of incorporation and operation	% of ownership interest 2018 %	% of ownership interest 2017 %	Nature of relationship	Measurement method	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Ferguson Australia Pty Ltd[1]	Australia	32	32	Associate	Equity method	-	4,716
Neptune Bio-Innovations Pty Ltd[2]	Australia	10	20	Associate	Fair value/ Equity method	11,558	11,558
Total investments						11,558	16,274

(1) Ferguson Australia Pty Ltd is a processor and exporter of premium seafood products. It is a strategic investment for the Group to complement its distribution of seafood products into Asia. The Group holds additional lobster quotas to increase the supply of Ferguson Australia Pty Ltd's core product, the Southern Rock Lobster. This investment is contained within the Seafood segment of the Group.

Ferguson Australia Pty Ltd entered into sale negotiations in January 2018, and as such management have determined that the Group's investment should be considered as held for sale. Refer to note 5(a) for further disclosure regarding this asset.

(c) Investments (continued)

(2) Neptune Bio-Innovations Pty Ltd ("NBI") is an industry recognised and accredited Research & Development food contract manufacturer, operating in the Food & Beverage, Nutritional, Personal Care and Nutraceutical product industries. It is a strategic investment for the Group offering a range of health and well-being enhancing functional foods, either used as stand-alone products or in conjunction with the Dairy, Meat and Health divisions. NBI is in the early stages of commercialising its innovative food and consumer health products, with significant growth prospects. NBI currently offers four brands in the market, and 17 SKU's. This investment is contained in the Health segment of the Group.

The Group's investment in NBI remains important and there remains the intention to maintain a commercial relationship with NBI. However, the Group's focus is increasingly on its dairy and meat segments. The potential synergies with NBI's activities are reduced with NBI focussing its growth plans more on consumer health products that are less aligned to the Group's main activities. The Group stepped back from its close commercial relationship with NBI from early 2018, and as a result, agreed with NBI to restructure its shareholding which was implemented on 3 April 2018. The Group does not have a representative on the NBI board. As a result of the diminished commercial alignment, the Group no longer has significant influence over the operations and financial decision making of NBI and has ceased to equity account for its investments in NBI.

As at 30 June 2018 the carrying value of the Group's investment in NBI of $11.6 million comprises a convertible note and put option issued on 3 April 2018 in connection with the restructuring of BFC's investment in NBI of $5.9 million and a retained 9.9% equity investment of $5.7 million.

The convertible note and put option are held at fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement and the investment is held at its fair value less costs of disposal in accordance with AASB 13 Fair Value Measurement. The fair value of the convertible note and put option was determined using the income approach based on level 3 (unobservable) inputs. The same model was used to assess the recoverable amount of the Group's equity investment based on a fair value less costs of disposal valuation.

As NBI is a private company, there is no observable market price of its shares to assist in determining fair value. The Group has estimated the fair value of NBI by preparing cash flow projections for NBI and discounting the projected future cash flows at an appropriate discount rate. The pre-tax discount rate applied to the cash flow projections is 13.9%. The discount rate represents the current market assessment of the risks specific to the investment, taking into consideration the time value of money.

In preparing its cash flow projections for NBI, the Group obtained forecast financial information and received guidance from NBI management. The financial information provided was reviewed in conjunction with NBI to assess its reasonableness. Key assumptions regarding the future sales projections for NBI's product ranges were reviewed with NBI. Key assumptions include channels to market, key customers, market penetration rates, product pricing and related trade spend. Future cash flows reflect short-term growth assumptions which are subsequently reduced to reflect long-term inflation expectations. Assumptions regarding costs of sales and other operating expenses as well as capital expenditure necessary to support NBI's growth projections were also reviewed with NBI. Key risks and opportunities related to NBI's guidance were also reviewed with NBI to assist the Group in determining its view of NBI's guidance.

The Group formed the view that the guidance provided by NBI was based on their detailed analysis and that there exists a reasonable basis and level of support for NBI's key assumptions. Accordingly, the Group formed the view that it had been provided reasonable information upon which to base an assessment of the fair value of NBI at 30 June 2018. It should be noted that NBI is in the process of undertaking a detailed financial analysis including cash flow projections with the assistance of a major professional services firm. That work is in preparation for NBI seeking additional funding and/or selling all or part of its business later in the year. The work of the professional services firm had not been concluded in time for the Group and its auditors to be provided the independently assessed financial models. However, the guidance provided by NBI to the Company was developed through this process and NBI has confirmed that it is consistent with the data being used for that purpose.

The above entities are private companies with no quoted price available.

15 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2018 (2017 - nil).

16 Commitments

(a) Non-cancellable operating leases - Group as lessee

The Group leases its offices under non-cancellable operating leases expiring within 3 years. The Group also leases farm equipment under non-cancellable leases expiring within 5 years. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 June 2018 $'000	30 June 2017 $'000
Within one year	284	239
Later than one year but not later than five years	10	126
	294	365

(b) Finance lease commitments: Group as lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	30 June 2018 $'000	30 June 2017 $'000
Within one year	87	74
Later than one year but not later than five years	180	98
	267	172

(c) Other commitments

At 30 June 2018, the Group had commitments of $40,527,963 relating to milk supply purchases from farmers. These milk purchase commitments have terms of between 1 and 3 years.

At 30 June 2018, the Group had commitments of $595,606 relating to equipment capital expenditure. These capital expenditure commitments have terms of less than 1 year.

17 Events occurring after the reporting period

As disclosed in Note 5(b) on 23 August 2018, the Group acquired 100% of the shares of Scorpio Foods Pty Ltd ("Scorpio") for consideration of $2.7 million and acquired Scorpio's Shepparton property for consideration of $5.95 million. The purchase of the Shepparton property was partially funded with a new mortgage of $4.2 million.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

18 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 14(a).

(b) Key management personnel compensation

	30 June 2018 $	30 June 2017 $
Short-term employee benefits	260,000	252,667
Post-employment benefits	24,700	24,003
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	284,700	276,670

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2018 $	30 June 2017 $
Sales of goods and services		
Sales of goods to investee entities	405,890	412,121
Remuneration received for directors services	90,000	90,000
Interest income from investee entities	633,081	644,338
Purchases of goods and services		
Purchases of electronic equipment from other related parties	-	(545,344)
Purchases of various goods and services from related parties	(831,175)	(1,513,630)
Management fees to the Investment Manager	(2,387,799)	(2,380,498)

(i) Transactions with other related parties

The Group entered into the following transactions with related parties:

- Provision of additional directors services to all associates and investee entities
- Provision of funding via convertible notes and charging of interest on loan balances owing by associates and investees
- Purchases of products from associates and investee entities for export and on-sale to third parties
- Purchases of products from associates and investees entities for sale via the Beston Marketplace e-commerce platform
- Procurement of management services from the Investment Manager

18 Related party transactions (continued)

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2018 $	30 June 2017 $
Outstanding balances receivable/(payable)		
Current receivables	6,198,017	2,226,510
Current payables	(310,318)	(134,383)

(e) Loans to/from related parties

	30 June 2018 $	30 June 2017 $
Loans to other related parties		
Beginning of the year	32,503	32,503
Loans advanced	-	250,000
Loans converted to sales proceeds	-	(250,000)
End of year	32,503	32,503

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(f) Terms and conditions

(i) Transactions with the Investment Manager

The Company outsources various investment management and administrative functions to an Investment Manager, including key management personnel services. Dr Sexton controls and Mr Gerlach is a director of the Investment Manager, Beston Pacific Asset Management Pty Ltd ("BPAM"). The Investment Manager receives a fee for its management of the Group. This fee is equal to 1.20% per annum (exclusive of GST) of the gross portfolio value of the assets of the Group.

The Investment Manager will also be entitled to receive a performance fee for outperformance by BFC. Outperformance is calculated as the total shareholder return against a benchmark index, namely the ASX All Ordinaries Accumulation Index.

The key metrics of the fee are summarised below:

Key metrics	1 July 2017	30 June 2018	Performance
Beston Global Food Company Limited	$0.225	$0.175	-22.22%
ASX All Ordinaries Accumulation Index	$54,897.11	$62,434.90	13.73%

The All Ordinaries Accumulation Index is a benchmark used to measure total investment performance, and is largely used to compare the performance of professionally managed funds. It is a publicly available measurement of the trend of price movements, incorporating the dividends paid.

The performance fee is calculated as follows:

A. Market capitalisation	$77,580,278.47
B. Outperformance factor (BFC TSR% - ASX:XAOAI TSR%)	-35.95%
C. Agreed performance fee %	17.5%
Total performance fee for the 12 months to 30 June 2018: A x B x C	$0.00

(f) Terms and conditions (continued)

(ii) Transactions with other related parties

Grape Ensembles Co Pty Ltd is beneficially controlled by Dr Sexton. Grape Ensembles Co Pty Ltd holds an 80% interest in a company that owns the BRANDLOK intellectual property associated with brand protection seals which has been developed as an anti-counterfeiting device. The Company has an option to purchase Grape Ensembles Co Pty Ltd's 80% shareholding in Brandlock Protection Solutions Pty Ltd ("BBPS"). The purchase price for BBPS has been agreed at the greater of 10 times the net profit after tax of BBPS; the then market value of the 80% holding of BBPS; and $2,000,000. These rights are exercisable by the independent Directors of Beston Global Food Company Limited and include tag along and drag along rights to enable the Company to acquire 100% of BBPS.

Main & Cherry is controlled by a family member of Dr Sexton, who has no pecuniary interest in Main & Cherry. During the year, the Group purchased wine stock from Main & Cherry for export into Asia. The purchases were made based on normal commercial terms and conditions.

Sales of goods to other associates and related parties during the year were based on the price lists in force and terms that would be available to third parties. Purchases of goods from associates and other related parties during the year were also based on the price lists in force and terms that would be available to third parties.

All amounts owing to and from associates and related parties are settled on normal commercial terms and time frames. No interest was charged on trading balances owing to or from associates and related parties.

Management fees from investee companies are invoiced at appropriate milestones as agreed with them beforehand, and on normal commercial terms.

Remuneration received for directors services is charged every six months in arrears.

Interest income from investee companies is invoiced monthly in arrears, in line with their respective convertible note agreements.

No guarantees were provided for any related parties.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity and its related practices:

Ernst & Young

	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial statements	229,000	146,890
Taxation services		
Tax compliance services	84,442	107,204
Total remuneration of Ernst & Young	313,442	254,094

20 Earnings per share

(a) Basic earnings/(loss) per share

	30 June 2018 Cents	30 June 2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(2.84)	(1.82)
From discontinued operations	-	-
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(2.84)	(1.82)

(b) Diluted earnings/(loss) per share

	30 June 2018 Cents	30 June 2017 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(2.84)	(1.82)
From discontinued operations	-	-
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(2.84)	(1.82)

(c) Reconciliation of earnings used in calculating earnings per share

	30 June 2018 $'000	30 June 2017 $'000
Basic earnings/(loss) per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share:		
From continuing operations	(12,593)	(7,749)
From discontinued operations	-	-
	(12,593)	(7,749)
Diluted earnings/(loss) per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating basic earnings/(loss) per share	(12,593)	(7,749)
Used in calculating diluted earnings/(loss) per share	(12,593)	(7,749)

(d) Weighted average number of shares used as the denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	443,315,867	425,631,252

21 Parent entity financial information

(a) Summary financial information

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

	30 June 2018 $'000	30 June 2017 $'000
ASSETS		
Current assets	9,571	32,823
Non-current assets	131,441	110,003
Total assets	141,012	142,826
LIABILITIES		
Current liabilities	957	2,507
Non-current liabilities	3,215	2
Total liabilities	4,172	2,509
Net assets	136,840	140,317
EQUITY		
Issued capital	147,535	147,358
Reserves		
Share-based payments	8	8
Accumulated losses	(10,479)	(4,646)
Dividends paid	-	(2,179)
Foreign currency translation reserve	(224)	(224)
Total equity	136,840	140,317
Profit/(loss) for the period	(3,654)	(2,127)
Total comprehensive income/(loss)	(3,654)	(2,127)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

22 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Beston Global Food Company Limited and its subsidiaries.

(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 and the *Corporations Act 2001*. Beston Global Food Company Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Beston Global Food Company Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for assets held for sale, certain investments, and Biological Assets which are recognised at fair value less costs to sell.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2017:

- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*

There has been no material impact to the Group's results or disclosures as a result of these new standards.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Group also elected to adopt the following amendments early:

- *AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*, and
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.*

As these amendments merely clarify the existing requirements, they do not affect the Group’s accounting policies or any of the disclosures.

(a) Basis of preparation (continued)

(iv) Critical accounting estimates

The preparation of financial statements 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.

Revaluation of biological assets

The Group carries its biological assets at fair value, with changes in fair value being recognised in the statement of comprehensive income. The Group engaged an independent valuation specialist to assess the fair value of biological assets at 30 June 2017. A valuation methodology based on fair value less costs of disposal was used. Refer to note 6 (c) for further disclosures.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a Discounted Cash Flow ("DCF") model, with cash flows derived from the forecast for the next five years, and do not include restructuring activities that the Group is not yet committed to or significant future investments. These estimates are most relevant to goodwill and other intangible assets with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 7.

Deferred tax balances

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax asset that can be recognised, based on the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on deferred tax balances are disclosed in note 6 (d).

Fair value assessments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments and investments not quoted in an active market. Where assets are a carried at fair value, and where there are no observable market prices, the Group undertakes a fair value assessment utilising expected future cash flows less estimated costs of disposal. This is relevant to investments in associates accounted for using the fair value method, and assets held for sale. Wherever possible, future cash flow estimates are based on information obtained from the investee entity, and the Group assesses reasonableness of this information and applies judgement to ensure that the expected future cash flow estimates are appropriate. Such estimates and judgements are subject to change as a result of changing economic and operation conditions. Actual cash flows may therefore differ from forecasts and could result in the recognition of impairment charges in future periods.

Further details on assets held for sale are disclosed in note 7, and further details on investments in associates accounted for using the fair value method are disclosed in note 14.

22 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	The Group does not expect a material impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. It expects to continue measuring at fair value through profit and loss all financial assets currently held at fair value. AASB 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Convertible notes are required to be carried at fair value through profit and loss going forward.	Mandatory for financial years commencing on or after 1 January 2018. The Group has adopted the standard from 1 July 2018.
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.	At this point, the Group has assessed individual contracts, which has indicated the adoption of the standard is not expected to have a material impact. The Group will apply the modified retrospective approach on transition and there will be no adjustment to profit and loss. Additional disclosures on contract details and performance obligations will be required and minor presentation changes of amounts in the Statement of Comprehensive Income will arise.	Mandatory for financial years commencing on or after 1 January 2018. The Group has adopted the standard from 1 July 2018.

(v) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	While the Group has yet to undertake a detailed assessment of the impact of AASB 16, the Group does not expect there to be a material impact of the Group's asset and liabilities. ● The standard will affect primarily the accounting for the Group's operating leases. At the reporting date, the Group has lease commitments currently disclosed as operating leases of \$0.29 million (refer to note 16) over a period of 2 years. ● Some commitments disclosed relate to milk purchases will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

Standards that are not yet effective that would be expected to have an immaterial impact on the entity in the current or future periods include:

- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Beston Global Food Company Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Beston Global Food Company Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 22(i)).

22 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 22(j).

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Beston Global Food Company Limited has appointed an executive management committee which assesses the financial performance and position of the Group, and makes strategic decisions. The executive management committee, which has been identified as being the chief operating decision maker, consists of the Chief Executive Officer and the Chief Financial Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Beston Global Food Company Limited's functional and presentation currency.

(ii) 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.

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of initial transactions.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the Group’s main types of revenue are explained in note 2. Revenue for interest income is recognised on the following basis:

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Government grants

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

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

22 Summary of significant accounting policies (continued)

(f) Government grants (continued)

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(g) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction 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 in the countries where the Company's subsidiaries and associates operate and generate taxable income. 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. 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.

Beston Global Food Company Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(h) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term . The respective leased assets are included in the consolidated balance sheet based on their nature.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

22 Summary of significant accounting policies (continued)

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(m) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. 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.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(n) Investments and other financial assets (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

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 period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

22 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' - in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses).Interest on available-for-sale securities, held-to-maturity investments and loans and receivables are calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, 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 financial 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 a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

Impairment testing of trade receivables is described in Note 7.

(v) Impairment (continued)

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(o) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 6(a). All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or 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 component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed in note 6(a).

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 (note 22(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 22(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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 relating to the entity sold.

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. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 1).

(ii) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

22 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

(iii) Software (e-commerce platform and other applications)

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Amortisation methods and periods

Refer to note 6(e) for details about amortisation methods and periods used by the Group for intangible assets.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. 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.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly 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 liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 using the projected unit credit method. 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 of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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 period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Employees and Directors of the Group may receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

(r) Employee benefits (continued)

(iii) Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of comprehensive income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning of the period and is recognised in employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had that terms not been modified, if the original terms of the award are not met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(s) Contributed equity

Ordinary shares are classified as equity.

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

(t) 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.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

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

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

(v) Rounding of amounts

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

22 Summary of significant accounting policies (continued)

(w) 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 consolidated 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.

(x) Parent entity financial information

The financial information for the parent entity, Beston Global Food Company Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Beston Global Food Company Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Beston Global Food Company Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

Refer to note 4 for further details.

Review of Operations and Activities

1 Executive Summary

The Board of Beston Global Food Company Limited (ASX: BFC) is pleased to report on the progress made across a number of areas during the 2018 financial year. Several key milestones in delivering on the Company's strategy were achieved over the year.

Significant investments to build out the asset base and establish a new level of operations have largely been completed. The Group is now putting those investments to work.

The key developments in each of our Divisions are summarised below:

Dairy

- The new Mozzarella plant was installed in February 2018 and successfully commissioned in March 2018, with commercial sales occurring in May 2018.
- Market reaction to our Mozzarella has been very favourable. Both domestic and potential export customers have acknowledged the high quality of our Mozzarella.
- The new plant achieved Export Accreditation in April 2018 enabling Mozzarella to be sold overseas.
- In June 2018 the plant achieved the stringent quality accreditation known as SQF. This accreditation is a world best practice quality standard and is essential to become a supplier to many major potential customers.
- Commercial sales of our Mozzarella product were achieved in May 2018.
- A contract to supply a major Australian retailer an average of 200T per month of Mozzarella, representing 30% of planned FY19 production, was signed following SQF accreditation. Supply commenced in August 2018.
- Mozzarella production since commissioning has totalled approximately 1,250 tonnes. Sales since commissioning have totalled $3.2 million of which $2.6 million was in June/July 2018 as customers began to take our Mozzarella into their range. Mozzarella sales stepped up again in August with the new 200T contract supply commencing along with existing and new customers steadily increasing offtake.
- Higher throughput and longer production runs are expected to provide cost and yield benefits through FY19.

Meat

- BFC assumed management of Scorpio Foods Pty Ltd (Scorpio) in January 2018, and has overseen the day-to-day operations at Scorpio since that time to drive the transformation needed to lift revenues and profits of the meat processing business in Shepparton, Victoria. These have included:
    - Closing the Colac operations and consolidating activities at Shepparton to reduce costs and improve production efficiencies
    - Sale of the Colac property
    - Upgrading and expansion of the Shepparton factories
    - Securing significant new contracts including supply to Costco and Aldi.
- The formal arrangements for the acquisition of Scorpio Foods Pty Ltd were completed in August 2018. Until that time, BFC continued to earn convertible note interest on its investment.

1 Executive Summary (continued)

Seafood

- Sales of Ferguson Seafood products shifted into higher margin markets during FY18 with the introduction of branded retail packs
- Ferguson branded frozen retail packs were introduced into independent supermarkets across Australia during the year as well as into selected retail and e-commerce chains in Hong Kong and China.
- Total Southern Rock Lobster processed was 440 tonnes, down slightly on 2017 due to a compressed fishing season.
- An innovative range of ready-to-eat sashimi grade retail tuna packs was developed for launch in China in August 2018.

Health and Nutrition

- A substantial investment was made by Neptune Bio Innovations (NBI) during FY18 in upgrading its manufacturing facilities to bring more of its products back in-house and reduce out-services costs.
- NBI successfully launched a range of its food and consumer health products into major pharmacy channels and supermarkets in FY19 and as at 30 June 2018 was stocked in 1,513 outlets across Australia.
- The Company now has four brands in market: “BIOLyte” (oral hydration product), “Le Mayo” (healthy vegetable-based Mayonnaise powder), “Heart Salt” (reduced sodium salt alternative), and “Sweet and Gentle”/”Type 2” (plant-based sweetener which is a substitute for sugar).
- NBI has achieved sales into Asia during FY18 (notably China and Vietnam) by working with BFC and is in advanced discussions with channel partners in the Middle East, UK and the USA.
- Through its in-house R&D facilities, NBI has developed a strong pipeline of products which provide naturally based consumer health and wellness solutions. The Company is expected to release its new “URICIL” product in FY19 which treats and prevents urinary tract infections.

2 Financial Results

Group sales revenues for the year were $47.9 million, an increase of 101% over FY 2017 sales of $23.8 million. The increase is due almost entirely to increased sales of dairy products in FY18 reflecting the higher milk supply compared to FY 2017.

Gross margin on sales was again strong, averaging 32% across BFC's product range.

Despite the strong sales growth, and solid gross margins, the Group overall reported a statutory loss of $12.6 million.

The result is disappointing, especially against where we expected the company to be at this point in its development and can be attributed, substantially to timing delays and increased costs in obtaining delivery of and installing the Company's new Mozzarella plant at Jervois, South Australia, and unanticipated costs in China as well as costs associated with scaling up the Company's operations and sales, both nationally and internationally.

The installation and commissioning of the Mozzarella plant was six months later than planned due to unplanned delays from the manufacturer. BFC reported that it had commenced achieving commercial sales of its Mozzarella products in May of this year. The consequence of these delays meant that approximately two-thirds of the planned sales of Mozzarella (and derivative products) in the second half of FY18 did not occur as expected. Rather milk supply was largely diverted into the production of cheddar and other hard cheeses.

The diversion of milk production into cheddar, which typically requires between 3 and 9 months maturation in storage before becoming saleable, had three significant impacts:

- Firstly, during the early part of FY18, there was reduced volume of product available for sale as the increased cheddar stocks matured.
- Secondly, the high value by-products of Mozzarella production, that is cream and whey, were not produced during the six months' period as anticipated thereby reducing margins.
- Thirdly, the prices received for cheddar when sold into wholesale markets tend to be influenced by international commodity prices, which fell away in the second half of the year at the time when our cheddar became available for sale.
- Fourthly, lower production limited the recovery of indirect factory costs which were consequently expensed.

The consequence of the timing delay in commissioning our new $26.5 million state-of-the-art Mozzarella plant, and the flow-on effects as above, meant that sales of cheese and related products in FY18 were substantially below plan. Moreover, the Company increased its workforce in the second half to deal with the installation and commissioning of the Mozzarella plant and incurred considerably more expenditure in this process than anticipated.

The sales of cheddar are largely deferred which is reflected in the high cheese inventory holding at 30 June 2018.

The overall impact of higher expenditures and lower sales and earned margins in the second half was to reduce reported profit in FY18 by $11 million.

In reflecting on the loss incurred in the FY18, as previously explained to Shareholders, BFC has had to embark on its dairy infrastructure build out, including the installation of a Mozzarella plant without the revenue and earnings "cover" which was to have been provided from the point of IPO by the sales commitments from one of the Company's IPO cornerstone investors (refer 3 below). Furthermore, the investee companies in which we hold minority interests - Ferguson and Neptune Bio Innovations, have not performed to the levels expected, either against previous historical results or the forecasts prepared by independent professional firms, and have therefore not paid dividends to BFC as expected.

2 Financial Results (continued)

China

The other negative impact on our FY18 results was our trading results in China.

BFC has continued to invest strategically in growing our presence in China through creating brand recognition and establishing and expanding relationships with distributors and other key participants in the China market. BFC's brand recognition was significantly enhanced during the year with BFC brands appearing on the shelves of some of China's biggest retailers.

Nevertheless, gaining brand recognition with a direct to retail approach has proved more costly than forecast by local management in China. A net loss of $4.2m has been reported for the year for China, which includes impairment provisions.

There are no quick wins in China. It is a market which requires patience and tenacity. And, of course, our investments in developing our China market do not result in tangible assets for inclusion in the BFC balance sheet; the net costs of our China activities are reported in our P&L.

As we have explained previously, the Board of BFC has taken a long-term view on China. The ChAFTA Free Trade Agreement is half way through its four-year transition period such that by 2020, there will be zero tariffs on most Australian food imports into China. The younger age groups in China, in particular, are seeking out fresher, healthier, authentic food and beverage products and have shown a preference for sourcing these products from overseas.

The work which has been done in China to build our relationships with distributors and achieve brand recognition is now bearing fruit. We have achieved access into a number of retail and food service markets and have developed good working relationships with a number of reliable distributors. This work has served to establish the quality credentials of BFC as a reliable supplier of premium and consistent quality Australian food and beverage products and helped us to move into the market where we believe that our biggest short-term opportunity lies namely, Mozzarella. Since Pizza Hut opened its first store in China in 1990, the consumption of pizza (and hence Mozzarella) has grown dramatically.

In recent months, BFC has restructured its management team in China and has received purchase orders and signed contracts for delivery of a range of dairy and seafood products.
Of particular significance amongst these orders is our first sales of Mozzarella into the China market.

Penetrating the market in China for Mozzarella to capitalize on the rapidly growing demand for pizza has been a key objective of our China strategy. Once it became available from our Jervois plant, we were able to introduce our Mozzarella into our established relationships, conduct consumer tastings, and procure orders (for delivery from October 2018 onwards).

The demand for Mozzarella in China is forecast to treble over the next few years from around 175,000 tonnes currently to 248,000 tonnes in 2022. The market has been dominated by New Zealand producers over the past 5 years.

With the proven quality of our Mozzarella cheese and the recognised presence which we have established quickly in the domestic (Australian) market for pizza and other Italian style foods, BFC has a significant opportunity to capture a small, but significant share of this lucrative and growing market in China.

Other Items

The financial result for the FY18 was also impacted by:

- Insurance premiums that increased by approximately $1.8 million (i.e. an increase of 250% over the previous year). A spate of recent fires world-wide, including the Thomas Foods fire at Murray Bridge, have led to insurers re-assessing the risks to property posed by EPS panelling leading to a substantial increase in premiums. The Company has had independent consultants review the factories' fire protection systems and is satisfied that equipment and procedures to deliver personnel safety are being appropriately managed. However, an upgrade of the fire sprinkler systems, along with other measures, are being scoped to further reduce the risk of property loss in the event of fire and reduce the insurance premium.
- Write downs of inventory and receivables in Thailand during the year totalled $1.0 million mostly reported in the first half of FY18 and partly attributable to exchange rate adjustments.

The company contracted supply of milk at the rate of 90ML pa in anticipation of the start up of the Mozzarella plant in November 2017. The delay in completing the construction of the plant then achieving commercial levels of production meant that the Company had to fund a higher level of working capital during this period. The milk received between November 2017 to April 2018 was intended to be processed into Mozzarella. Instead it was largely processed into cheddar and held in inventory for maturation before sale. This created an unavoidable delay in the cycle of conversion of milk supplied into cash. Funding this higher working capital requirement came from new borrowings. The Company’s opening cash reserves were largely applied to completing the Mozzarella project and funding other operating costs.

No dividends will be payable in respect of the 2017-18 financial year.

3 Operations

As we have previously explained to Shareholders, BFC is a company which has been a start-up (and in high growth mode) over the relatively short period since listing.

The steps we have taken to build our food business were summarised in our report to Shareholders for the first half of this financial year.

We acquired our dairy manufacturing business out of Receivership and invested in three other agri-businesses (meat, seafood and health/nutrition) with a view to transforming those businesses from relatively small, family owned businesses into globally focussed companies that could achieve economies of scale in their operations and a market share position within each of their areas of specialisation which was of sufficient size as to earn above average rates of return.

At the core of the Company's strategy for the three years immediately following listing was a "build-out" program whereby BFC would expand the infrastructure in each of our four operating divisions (dairy, meat, seafood, health/nutrition) so as to achieve this transformation and enable the Company to grow and expand while extracting progressively increasing returns from the capital employed in those divisions.

The classic earnings profile for a start-up company, whether it be in the food industry or the technology industry, or any other industry is a U-shaped curve where net earnings are negative initially and fall off further as the company spends money on building its business and then recover as the company gains tractions and generates returns on the expenditure made in its investment phase.

BFC initially sought to avoid this classic U-shape earning profile by taking on a Cornerstone Company Shareholder from China, at its IPO, which could deliver significant sales, margins and profits while the Company went through its planned three year "build-out" phase.

A key assumption in our strategy, as we have explained previously, was that BFC's revenues and earnings during this build-out period would be underpinned by sales commitments made by this Cornerstone Shareholder. The sales agreements were supported by letters of assurance and it was reasonably expected that a significant Shareholder would also wish to protect the value of its commercial investment in BFC by honouring its commitments. As explained to Shareholders on several occasions, these commitments were not subsequently delivered, for reasons internal to that Shareholder.

When the purchase commitments were not delivered, the Board of BFC resolved to put in place alternative arrangements to achieve the "build out" strategy of the overall BFC business so as to achieve its objectives and build long-term Shareholder value.

This has involved the acceleration of our efforts to generate sales in the domestic Australian market rather than relying on the sales revenues which had been committed for the China market. Initially it was expected that around 90% of the sales of the Company would be derived from China in each of the three years of the "build out" phase (and the balance 10% from domestic sales) whereas the reality has been that 90% of our sales in this financial year has been derived from the domestic market in Australia.

To do this, we have focussed our efforts on:

- Increasing the productive capacity of our dairy assets as quickly as possible; and
- Producing the best quality cheese products as quickly as possible in order to win awards and build a market presence

We believe that this focus on long-term earnings growth will derive a greater benefit in terms of building the wealth of our Shareholders than a focus only on short term objectives. The merits of this approach are now coming through via the progress being made in each of our operating divisions, as explained below.

Dairy Division

- Major $26.5 million build-out in dairy successfully completed and in full operation in May, 2018 (as per 1 May, 2018 ASX announcement).
- Overall dairy capacity increased from 10,000 tonnes (hard cheese) to 25,000 tonnes capacity.

Dairy Division (continued)

- New capabilities in Mozzarella, Hard Cheese and Cream Cheese has shifted BFC's capacity into higher margin products and increased production of cream and whey powder which are in strong demand.
- Extended our Dairy Brand "Edwards Crossing" into adult snacking segment through the launch of "Fancy Bites" into Woolworths nationally.
- Further Brand recognition achieved being awarded Australia's Best Colby in 2018 to add to being awarded Australia's Best Cheddar in 2017. Total awards now 70 in three years.
- Increased the productivity of the BFC owned dairy farms portfolio with the expansion of our herd over the FY18 period to around 3,000 herd.
- Milk supply has increased to approximately 120 million litres at the start of the FY19 year, which is up 33% from the previous year and in line with expectations. The increase in volume of milk supply underpins our production and sales plan for the dairy factories for FY19.
- Implemented a market leading milk management system MADCAP platform to improve the operating efficiencies and communications with our farmers as supply increases.

Meat Division

- Assumed operational control of Scorpio Food Pty Ltd in January 2018 (with the appointment of new General Manager) and completed 100% ownership control in August, 2018.
- Sold Colac, Victoria building and consolidated production operations in Shepparton, Victoria including the conversion of cold storage facilities to a fully accredited food processing facility to SQF and export grade standards.
- Expanded Lamb Shank range into Aldi under their "Farmwood" brand and launched Yarra Valley Lamb Shanks into Costco nationally.
- Increased export sales with supply for diced cooked beef into a Quick Service Restaurant (QSR) chain in Japan as well as on-going shipments of Sliced Beef Bacon into the Middle East retail markets.
- Consolidation of operations in Shepparton, Victoria has facilitated cost savings and production efficiencies which is enabling higher levels of production and expansion of Scorpio's range of products.

Seafood Division

- Roll-out of the Ferguson Branded premium range of frozen seafood retail packs into Independent Supermarkets across Australia, and into selected retail and ecommerce chains in Hong Kong and China including Fishnet Seaworld in Shenzhen.
- Total Southern Rock Lobster tonnage of 440T per annum, slightly down on previous year, by 6%, due a compressed fishing season.
- Mori fresh branded Tuna continues to grow in China with the establishment of distribution channels into the 3 major cities of Beijing, Shanghai and Shenzhen/Guangzhou.
- Mori completed the product development and launch of an innovative new range of 'retail ready-to-eat sashimi grade tuna' 100g size packs with its first launch into China ecommerce planned for August 2018.
- Direct to customer channels growth in China following the increasing demand from restaurant chains and wedding market caters to purchase Southern Rock Lobster direct from Australia and a distinct preference moving towards branded product.
- A new financial information management system implemented to improve stock control, inventory management and pricing optimisation.

Health and Nutrition Division

- Completed the investment in the manufacturing facility in Lidcombe, NSW for the in-house production of the NBI range of products and the platform to produce TGI approved products in the future.
- Launched BIOLyte, Heart Salt and La Mayo Brands into Pharmacy channels with 95% distribution in Priceline, and Heart Salt into Coles with over 85% distribution.
- New product line extensions with the expansion of BIOLyte range into ready to drink, effervescent and ice block formats.

3 Operations (continued)

Health and Nutrition Division (continued)

- New product innovation with the development of the Uricil brand which treats and prevents urinary tract infections.

Technology

- Heads of agreement entered into with Datadot Technology Limited ('DDT'), to explore the merger of Beston Technology ('BT') with DDT.
- Beston Technology granted US Patent for the method and apparatus of determining the provenance of products
- Integrated anti-counterfeit technology into the food labels of BFC branded products going into export markets.

Overview

The business model which BFC has implemented from the outset has been based around a number of fundamental principles that the Investment Manager has employed successfully in other industries. These include:

- Buying income generating assets at or below their intrinsic economic value:
- Allocating capital to those areas where it can generate the greatest returns (and capitalise on the benefits of compounding).
- Putting in place initiatives which can build sustainable revenue and earnings streams over the longer term.

We have got a few things wrong, like most businesses from time to time, especially those in start-up mode. Some of these mistakes were of our own making. Some were related to events outside of our control, such as and importantly, the delayed delivery in our Mozzarella plant from the equipment manufacturers.

Each time we have experienced a set-back such as these, we have changed tack, and changed tack quickly. As our past experience in building and running companies has shown, in order to be innovative and advance forward, management needs to be willing to make mistakes and get things wrong from time to time. It is not acceptable nevertheless, to repeat the mistakes and get the same things wrong, over and over again.

Whilst we have got some things "wrong", we have done many things "right"… and in a relatively short space of time.

A great deal has been achieved over that last three years across all areas of the business. This includes:

- Increasing sales revenues from virtually zero at the time of the listing to $23 million in FY17 and $48 million in FY18.
- Taking two substantial dairy factories out of receivership, rebuilding the assets, restoring the export accreditation, and bringing them back into commercial production.
- Acquiring and installing a state-of-the-art Mozzarella plant at Jervois, and restoring the cream and butter plant.
- Building 8 new brands and developing over 50 new and different product offerings: "Edwards Crossing", "Beston Pure", "Kyubu", "Fancy Bites", "Mables", "Grange Peak", "Eight" water and "Yarra Valley" meats.
- Being awarded 70 Champion, Gold, Silver and Bronze high-profile industry awards for our cheese products within a space of three years.
- Developing OZIRIS/Brandlok traceability and anti-counterfeiting technology with eleven International Patents or Patents pending.

Overview (continued)

We have built a company that Shareholders can be proud of. We manufacture food and beverage products that meet the needs of health-conscious consumers, and promote healthy eating. We have fulfilled our vision of taking the best of Australia's premium quality food and beverages to the consumers of the world.

To achieve this vision, we have implemented a business model whereby we control the raw materials that go into our foods, and control how those materials are processed into the healthy, premium quality products that we offer consumers for purchase.

Through the OZIRIS/Brandlok technology we are able to ensure consumers that what they are going to put in their mouths is authentic (i.e. is actually produced by BFC and is not a "fake food"). We are also able to show consumers the integrity of the ingredients in our products and demonstrate them through the production process, from the farm to the fork.

The key task for management is to now capitalise on the achievements of the last three years to maximise revenues, margins and profits and resume dividend payments to Shareholders.

In the short-term, our success will be largely driven by the performance of our Dairy Division. The other components of the Company's business (particularly the meat business) can be expected to start showing increasing contributions to profit as we progress forward.

4 The Path Forward

The Directors believe that there are good reasons to be confident about the future direction, and performance, of the Company. Among them are:

- Infrastructure built
  We have successfully completed the infrastructure build-out that we foreshadowed at the outset would take 2 to 3 years. We have done so without the sales revenue (and profit) support promised by one of our IPO cornerstone investors. The hard work has been done and management is now building on the foundations put in place.

- Financial performance on the uplift
  Having completed the infrastructure build-out in its Dairy Division and having commissioned the new Mozzarella plant, the Company has returned to profitable trading and is cash flow positive.

  With the Mozzarella plant up and running, and producing premium quality product, we have generated several new, high margin revenue streams. We have the flexibility to channel milk into hard cheese production (at Murray Bridge) or into Mozzarella production (at Jervois) which also produces high value cream and butter as by-products. We now have much higher volumes of whey (and whey powder) being produced as well as consequence of our increased milk throughput. Since the Mozzarella plant came on stream, BFC has generated additional revenues of around $20 million on an annualised basis.

  The result is that the Company has turned the corner and is looking at a stronger financial performance in the year ahead.

- Incremental profit opportunities from completion of the Dairy infrastructure build-out
  The installation of the Mozzarella plant and the completion of the dairy infrastructure build-out at Jervois and Murray Bridge has provided the opportunity to extract synergistic operational benefits between the two plants and achieve incremental profit at minimal marginal cost (for example, by collecting the cheese “fines” which otherwise pass out of the plant in the whey liquid and reintroducing them into the production process to increase yields).

  The announcement made by the Company earlier this month in winning a contract for the sale of 200 tonnes of Mozzarella each month with a major Australian retailer is a significant milestone for BFC. This contract and securing SQF accreditation, has endorsed both the quality of the production process and the quality of the Mozzarella product now being produced at our Jervois factory.

  The Jervois plant was previously extremely well known in industry circles for producing premium Mozzarella cheese under the brand name “Caboolture” prior to this brand being sold by the Receivers. BFC has replicated this premium quality into “Edwards Crossing” Mozzarella now being produced at Jervois.

- Brands now well established
  Over the past three years, BFC has built eight new brands and over 50 different product offerings. The cost of developing these brands is reflected in the Company’s P&L statements and is not recognised in the balance sheet. BFC’s cheese products have won 70 Champion, Gold, Silver and Bronze awards over this same period in Australian and international dairy competitions. The Company’s cheese brands are now well established in the domestic retail and wholesale markets and attracting increasing interest from the major companies operating in these markets.

  From an investor standpoint, the brands created by BFC obviously have value. The higher the sales attributed to a brand, the higher the value.

- **Proven capability and agility in the development of new products**
  BFC has shown that it is able to respond to changing market conditions and customer needs very quickly. We have done so, for example, in developing a flavoured cheese product for the Asia market "Kyubu", creating an adult snacking product "Fancy Bites" specifically for this fastest growing segment of the dairy market and developing specialty health focussed cheeses for the rapidly growing Mexican food chain, Guzman y Gomez. BFC has demonstrated that it can be nimble in responding to customer needs and think outside the boundaries of our existing (traditional) markets. This is a competitive advantage which our sales team is utilising to win new customers and markets.

- **Well positioned in Australia's growing food industry**
  BFC is the largest company in the Australian dairy industry outside of the multinationals and the 7th largest in Australia. Significant recent acquisitions of dairy companies and assets in Australia, at high price-earnings multiples, have recognised the increasing value proposition of the Australian dairy industry. Acquisition of the next ten dairy companies, in size, in Australia would provide less than half of BFC's production capacity and, based on the price-earnings multiples paid in recent transactions, cost more than twice the market capitalisation of BFC. In addition, BFC has investments in the meat, seafood and health and nutrition industries in Australia.

- **Point of difference in food manufacture**
  BFC was established with a specific objective of taking healthy, nutritious, premium quality and verifiably safe food and beverage products to the growing consumer markets of the world. Our positioning in the market place with low salt and low fat cheese and meat products which are free of artificial colourings, additives, accelerants or preservatives, has created a point of difference which is increasingly being recognised and appreciated by more health conscious consumers. Consumers are looking for more natural foods that are free from unnatural additives and that come from trusted sources. This point of difference sets us apart from much of the dietary homogenisation in food products produced by the large multi-national food companies.

- **Poised to switch on Dairy Protein Extraction plant**
  When BFC acquired our Jervois dairy factory, we also separately acquired the adjoining Dairy Protein Extraction Plant. Until the Mozzarella plant was installed and commissioned, we did not have sufficient whey liquid to provide the feedstock to operate this plant.

  With the Mozzarella line coming into production, we now have more than an adequate supply of liquid whey to operate the Dairy Protein Extraction plant on an economic basis. BFC has, over the last twelve months expensed funds to restore and upgrade the Dairy Protein Extraction plant in order to produce three nutraceutical products:

  - Lactoferrin (LF)
  - Lactoperoxidase (LP)
  - Immunoglobulin (IgG)

  The nutraceuticals produced from the fractionation of dairy whey (i.e., LF, LP and IgG) command relatively high prices in the market place and thereby relatively high returns against the low cost feedstock of whey liquid, a by-product of cheese making. BFC anticipates to be in a position to "switch on" its dairy protein fractionation towards the end of this calendar year, assuming that there is no change in the global market for dairy nutraceuticals.

4 The Path Forward (continued)

- Capitalising on our "ground work" in China
  The development of our brand presence in China has been painstaking and costly over the last three years. Nevertheless, we have "stayed the course" because of the potential dividends: the sheer size of the market (the largest consumer market in the world) and the transition to zero tariffs on Australian food imports into China by 2020 (ChAFTA Free Trade Agreement).

  With the purchase orders and signed contracts received by BFC in recent months for a range of dairy and seafood products, the China office is expected to more than cover its costs in the FY19 financial year. Of particular significance, amongst these orders is our first sales of Mozzarella into the China market. The demand for Mozzarella cheese is increasing rapidly in China as the appetite for pizza grows especially amongst the nation's younger groups. BFC is well placed to capitalise on this emerging trend in pizza consumption in China with our premium Mozzarella as well as by taking our other food products into retail and food service markets in China (i.e. as tariffs come down and demand goes up).

  BFC also recently made its first sale of Mozzarella into Vietnam, where similar trends in pizza consumption are starting to emerge.

- Scorpio restructure complete and under new management
  BFC initially held a 40% beneficial interest in Scorpio Food Pty Ltd ("Scorpio") and in early January 2018, entered into an agreement to take management control and acquire the whole of Scorpio. A transformational restructuring of the business was subsequently undertaken which has included the closure of Scorpio's operations at Colac, Victoria, the sale of the Colac building, the consolidation of all operations at the Scorpio factory at Shepparton, Victoria and the appointment of a new General Manager, Mr Luke Bramston (formerly Managing Director of Cater Fair, a subsidiary of Top Cut Meats).

  Under the terms of the buy-out agreement, BFC received interest on its convertible notes and loans to Scorpio during the year until the acquisition was formally completed on 23 August 2018.

  The work done to transform and consolidate Scorpio has significantly improved the financial viability of the business, the benefits of which are expected to start to flow through to BFC by way of profit contribution in the 2018-19 financial year. In addition to increasing sales in traditional areas of the business (as in 3 above), under its new leadership Scorpio is heavily focussed on value-added cut portion control and cooked foods as part of its forward strategy.

- Commercialisation of Beston Technologies in progress
  BFC has previously advised Shareholders of its intention to commercialise our Beston Technologies Pty Ltd (BT) business to allow it to realise its full potential. BFC has expended significant funds to develop its OZIRS/Brandlok technologies and sees the opportunity to have the technology utilised by other food companies to provide food traceability/assurance to consumers in Australia, Asia and elsewhere to combat food counterfeiting.

  In February of this year, BFC announced a merger with Data Dot Technology Ltd (DDT) which values BT at $13 million, reflecting an independent valuation of BT's technology by Deloitte Finance Ltd. The proposed merger was subject to a number of provisions, including due diligence, preparation of a business plan for the merged company (MergeCo) and a capital raising to fund MergeCo.

  The respective Boards of BFC and DDT have resolved, earlier this month, that more work is needed to conclude supply agreements with key customers to underpin the revenue base for MergeCo and support the intended capital raising. In order to complete this additional work BFC and DDT have entered into a joint venture framework with a view to enabling a final decision to be taken by late February, 2019.

  The cost of food fraud in the global economy has been estimated at over $60 Billion a year. Australia's reputation as a supplier of high quality and safe food and beverage products has made it a target for counterfeit products.
  BFC believes it is in a unique position to further commercialise and extract value from its investment to date via the track-and-trace and anti-counterfeiting technology developed within Beston Technologies.

- Sound financial position
  Notwithstanding the disappointing FY18 statutory financial results, BFC remains in a sound financial position.
  The Company has put in place several working capital facilities during the past financial year in order to fund the growth in milk purchases.

  At 30 June 2018, the Group had net borrowings of $16.9 million comprising total borrowings of $21.4 million offset by cash held of $4.5 million. Gearing (net debt/equity) was a modest 14%. Mozzarella sales are increasing significantly through the early months of the new financial year and inventory levels are reducing which is expected to drive a lower level of working capital to be funded.

  The Group has the capacity to increase borrowings to fund expansion activities if required. The Board considers that net gearing of up to 30% may be appropriate over time as the operating cash flow continues to grow to support that level of borrowings (in line with the IPO Prospectus).

  Since balance date, the Company has agreed with its bankers to restructure its debt into a more appropriate mix of long-term and short-term facilities.

4 The Path Forward (continued)

- Sales team restructured with expanded focus in key market segments
  The total sales revenues of BFC in FY18 doubled over the previous year (from $23.8 million in FY17 to $47.9 million). Sales are expected to approximately double again in this FY19 financial year on the back of the increased milk supply and the start-up of the Mozzarella plant along with improved performance at Scorpio.

  Sales of cheese and related products from the dairy factories during January to May averaged $2.6 million per month. This new rate has since more than doubled with July sales from the dairy factories of $5.5 million. This will increase again in August with the commencement of the 200MT per month Mozzarella supply contract and continue to grow with a further take up of our products by other customers.

  With the lift in our overall dairy production from 10,000 tonnes per annum (cheddar and other hard cheeses only) to 24,500 metric tonnes per annum (Mozzarella and hard cheeses) our sales team has been restructured and expanded in size and breadth to accelerate our entry into key domestic markets.

  Additional sales staff, with extensive industry experience, have been appointed in the Eastern States to provide national coverage in key market segments, including retail, distribution, food manufacturing and quick service restaurants. The sales action plans which have been put in place as part of the restructure of the sales team recognise the importance of “walking in the shoes of our customers” to ensure that our products as well as our processes and procedures deliver on customer expectations.

  Our Sales Team is now headed by David Wilson, Group General Manager, Sales and Marketing who has had a highly credentialled career in the food industry, working with both multinational and Australian companies in the food, beverage and tobacco industries.

  Forward contracts have been put in place to lock in revenues on several dairy products sold by BFC into the “food ingredients” industries as a result of increased market demand and pricing (e.g., much of the whey powder produced at our powder plant has been forward sold to meet the increase in domestic consumption of starches for feedstock due to the drought).

- Opportunity to realise on shareholdings in investee companies
  BFC currently holds shares and/or other beneficial interests in two companies, seafood company Ferguson Australia Pty Ltd and health/nutrition company Neptune Bio-Innovations Pty Ltd, which are currently engaged in separate sales processes. The reasons for the decisions by the investee companies to place themselves on the market for sale vary in each case.

  Ferguson Australia

  The Ferguson family has decided to place their 68% shareholding in Ferguson Australia Pty Ltd and other seafood assets on the market, for family reasons. The sale process is being conducted by private tender through a specialist firm appointed by the Ferguson family.

  BFC has a 32% shareholding in Ferguson Australia and currently intends to exit its investment in the sale process, along with its lobster licences and property presently leased to Ferguson. The divestment process is expected to conclude within FY19.

  BFC expects to realise at least the book value of its assets through the sale process. It is the Company’s intention to put supply agreements in place with the new owners to access seafood products for supply to BFC’s existing markets.

Neptune Bio-Innovations

Following the receipt of a number of unsolicited offers in relation to their business (and its products), the major Shareholders of NBI have resolved to run a formal process to invite offers for NBI and/or its brands, products and formulations.

Over the last few years, NBI has developed into an innovative food and consumer health product manufacturer with in-house scientific R&D capabilities with four brands in market and 17 SKUs. NBI products are now stocked in an increasing number of key Australian grocery and pharmacy chains and revenues have been growing quarter by quarter.

Should offers be received for the whole business, and if accepted by the major shareholders of NBI, and by BFC, BFC expects to realise at least the book value of its assets on any sale. It is BFC's intention to put agreements in place with any new owners to continue to access the technical expertise of NBI and for the supply of products to BFC's existing markets.

5 Conclusion

With the commissioning of our Mozzarella plant, the restructuring of our sales team and other initiatives as outlined above, the Board is of the view that the Company is well on track to increasing top line revenues, margins and profits. We have been building strong relationships in our domestic markets as well as overseas. We know that we have excellent products and continue to make significant inroads into our key market segments. The confidence of the Board in the future direction of the Company is underscored by the fact that a number of the Directors of BFC have significantly increased their shareholdings in the Company over the past twelve months.

Directors' Declaration

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 30 to 85 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) complying with International Financial Reporting Standards , as disclosed in note 22(a)(i), and
- (iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

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

R N Sexton
Director

Adelaide
28/09/2018

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Independent Auditor's Report to the Members of Beston Global Food Company Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Beston Global Food Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effect, if any, of the matter described in the '*Basis for qualified opinion*' paragraph of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

As at 30 June 2018 the carrying value of the Group's investments in Neptune Bio-Innovations Pty Ltd ('NBI') was $11.6 million, as disclosed note 14(c). The investments comprise a convertible note and put option issued on 3 April 2018 and a 9.9% equity investment which are valued at 30 June 2018 at $5.9 million and $5.7 million respectively.

The fair values of the convertible note and put option are required to be determined at the date of issuance and as at 30 June 2018 in accordance with AASB 139 '*Financial Instruments: Recognition and measurement*'. The Group's equity investment is required to be assessed for impairment by comparing its carrying amount with higher of its value-in-use and fair value less costs to sell in accordance with AASB 136 '*Impairment of assets*'. The Group's assessment of the fair value of the convertible note and the fair value less costs of disposal valuation of the equity investment were prepared using prospective financial information provided by NBI management. We were unable to obtain access to NBI's underlying financial model and supporting documentation in respect of the prospective financial information provided to the Group. Consequently, we have been unable to obtain sufficient appropriate evidence to assess the fair value of the convertible note as at the date of issuance or 30 June 2018, and we have been unable to assess the recoverable amount of the Group's equity investment as at 30 June 2018.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Impairment of non-current assets including intangibles

Why significant	How our audit addressed the key audit matter
Property, plant and equipment of $55.8 million as disclosed in Note 6(a) and intangible assets of $8.4 million as disclosed in Note 6(e) represent significant balances relative to total assets. As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. In addition, goodwill and indefinite life intangible are tested for impairment at least annually. Impairment assessments are complex and judgemental as they include the modelling of a range of assumptions and estimates that will be impacted by future performance and market conditions.	Our audit procedures included an evaluation of the assumptions and methodologies utilised in the assessments, with an emphasis on those relating to the determination of cash generating units, forecast cash flows, growth rates, discount rates, comparative industry valuation multiples and other market evidence. We involved our valuation specialists to evaluate the appropriateness of key inputs, where relevant to the impairment tests, including: • Discount rates • Terminal growth rates • Market evidence of industry earnings valuation multiples • Long-term inflation and growth rate assumptions • Performing sensitivity analysis on the model forecasts and key assumptions. We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 8.

Building a better working world

2. Assets held for sale

Why significant	How our audit addressed the key audit matter
As disclosed in Note 7 to the financial report, the Group's 32% equity interest in Ferguson Australia Group and related plant and equipment and intangible assets (the 'Ferguson disposal group') are classified as held for sale as at 30 June 2018. The Ferguson disposal group is measured at its fair value less costs of disposal in accordance with Australia Accounting Standard, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Judgement was required to be exercised by the Group in determining the value of the Ferguson disposal group.	Our audit procedures in respect of the measurement of assets held for sale included the following: • We discussed with the Group, the status of the sale of the Ferguson Australia Group by its majority shareholders. • In conjunction with our valuation specialists we assessed the Group's key cash flow forecast assumptions in respect of revenue growth, gross margins, operating costs and the discount rate applied. • In determining the fair value less costs of disposal of the disposal group the Directors took into consideration the valuation of the lobster quota intangible assets determined by an external expert as disclosed in Note 7(a). Our audit procedures included, evaluating the competence, capabilities and objectivity of the external valuation expert used by the Group and assessing the valuation methodology used. • We also assessed the fair value against other comparable companies and market transactions based on publicly available information. • We assessed the adequacy of the disclosures in Note 7 of the financial report.

3. Deferred tax asset relating to losses

Why significant	How our audit addressed the key audit matter
At 30 June 2018 the Group held net deferred tax assets of \$6.8 million as disclosed in Note 6(c) of the financial report. The recognition and measurement of deferred tax assets requires significant judgement by the Group in assessing whether there will be sufficient future taxable profits to utilise the available tax losses. Additional tax losses have been recognised as deferred tax assets during the year.	In conjunction with our tax specialists we assessed the Group's judgements relating to the forecasts of future taxable income and evaluated the reasonableness of the assumptions underlying the preparation of these forecasts. This included evaluating the consistency of the assumptions used with those used to evaluate the recoverable amount of the Group's cash generating units for impairment testing purposes referred to above. We assessed the adequacy of the disclosures in Note 6(c) of the financial report.

4. Recoverability of other receivables

Why significant	How our audit addressed the key audit matter
As disclosed in Note 5(b) of the financial report the carrying value of current other receivables of $12.6 million includes $8.8 million in respect of one counterparty, Scorpio Foods Pty Ltd (the 'Scorpio Foods Other Receivables'). Subsequent to year end the Group acquired 100% of the issued capital of Scorpio Foods as disclosed in Note 5(b). The carrying value of non-current other receivables of $5.8 million disclosed in Note 5(b) relates to the deferred sale proceeds receivable in respect of the disposal of one of the Group's subsidiaries as disclosed in Note 13 of the financial report. The recoverability of other receivables was a key audit matter because of the value of the balance relative to total assets. Prior to completing the acquisition of Scorpio Foods, its financial performance was below the Group's future expectations. Consequently, there was a degree of estimation and judgement in assessing whether the future earnings of Scorpio Foods would be sufficient to recover the carrying value of the Group's interest in Scorpio Foods as at 30 June 2018.	Our audit procedures in respect of the Scorpio Foods Other Receivables included an evaluation of the assumptions and methodologies utilised in the Group's valuations and recoverability assessment. We had particular focus on those relating to the forecast revenue growth rates, gross margin improvements and operating cost savings by comparing them to historical results, market evidence of industry earnings and contractual customer supply arrangements, where available. We involved our valuation specialists to evaluate the appropriateness of key inputs, where relevant, including: • Discount rates • Terminal growth rates • Market evidence of industry earnings valuation multiples • Long-term inflation and growth rate assumptions • Performing sensitivity analysis on the model forecasts and key assumptions. Our audit procedures in respect of the recoverability of Non-current other receivables included the following: • We agreed the value of the deferred sale proceeds receivable to the terms of the signed sale and purchase agreement. • We assessed whether there were any factors indicating the amount receivable may not be fully recoverable. We assessed the adequacy of the disclosures in Note 5(b) of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 37 of the annual report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Beston Global Food Company Limited for the year ended 30 June 2018, 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.

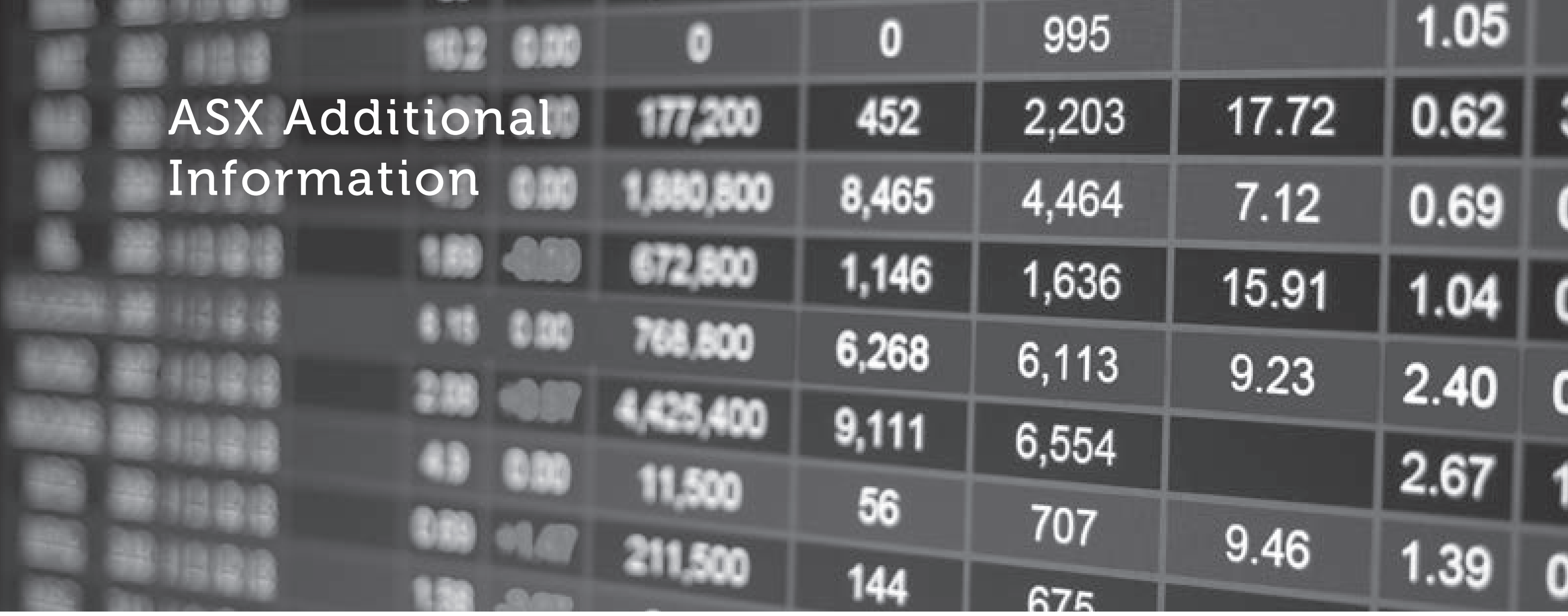
Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
Melbourne
28 September 2018

ASX Additional Information



Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2018.

Ordinary Share Capital

443,315,867 fully paid Ordinary Shares are held by 3,431 individual Shareholders.

All Ordinary Shares carry one vote per share.

There are no restricted securities or securities subject to voluntary escrow.

There is no current on-market buyback.

Distribution of Equity Securities

The number of shareholders, by size of holding, in each class are:

100,001 and Over	292
10,001 to 100,000	1,763
5,001 to 10,000	624
1,001 to 5,000	613
1 to 1,000	139

Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)

	Ordinary Shares	
Name	Number of Shares Held	Percentage of Issued Shares
Australia Aulong Auniu Wang Food Holdings Pty Ltd	66,894,345	14.90%
Kunteng Pte Ltd	64,051,111	14.99%
I.G. Investment Management Ltd	39,525,741	8.92%
Allianz SE	21,955,164	6.04%

Twenty largest holders of Quoted Equity Securities

Name	Number of Shares Held	Percentage of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	67,780,613	15.29%
KUNTENG PTE LTD	64,051,111	14.45%
AUSTRALIA AULONG AUNIU WANG FOOD HOLDINGS PTY LTD	54,449,834	12.28%
BNP PARIBAS NOMINEES PTY LTD	42,995,139	9.70%
BLUE RIDGE HOLDINGS PTY LTD	16,611,905	3.75%
FIRST BOOM INVESTMENTS LIMITED	11,428,572	2.58%
BNP PARIBAS NOMS PTY LTD	9,720,640	2.19%
FIRST BOOM INVESTMENTS LIMITED	8,333,334	1.88%
HISHENK PTY LTD	6,000,000	1.35%
PERSHING AUSTRALIA NOMINEES PTY LTD	3,003,103	0.68%
S GERLACH PTY LTD	2,816,385	0.64%
BNP PARIBAS NOMS PTY LTD	2,546,522	0.57%
MR MICHAEL MIHRAN ABOLAKIAN & MRS NAIRY ABOLAKIAN & MR STEPHEN ABOLAKIAN	2,425,000	0.55%
HWR NOMINEES PTY LTD	1,800,000	0.41%
ABORIGINAL CONTRACTING WA PTY LTD	1,568,417	0.35%
EDM TRANSPORT PTY LTD	1,500,000	0.34%
BT PORTFOLIO SERVICES LIMITED	1,224,157	0.28%
MR PETER VERHOEVEN	1,100,000	0.25%
MR IAN GREGORY GRIFFITHS & MRS SUSAN JANE GRIFFITHS	1,070,223	0.24%
MR MUN YUE AU YONG & MS LEE HWA TAN	1,050,000	0.24%

Business Objectives & Use of Cash

Beston Global Food Company Limited has used Cash and Cash Equivalents held at the time of listing in a manner consistent with its stated business objectives.


BESTON
GLOBAL FOOD COMPANY