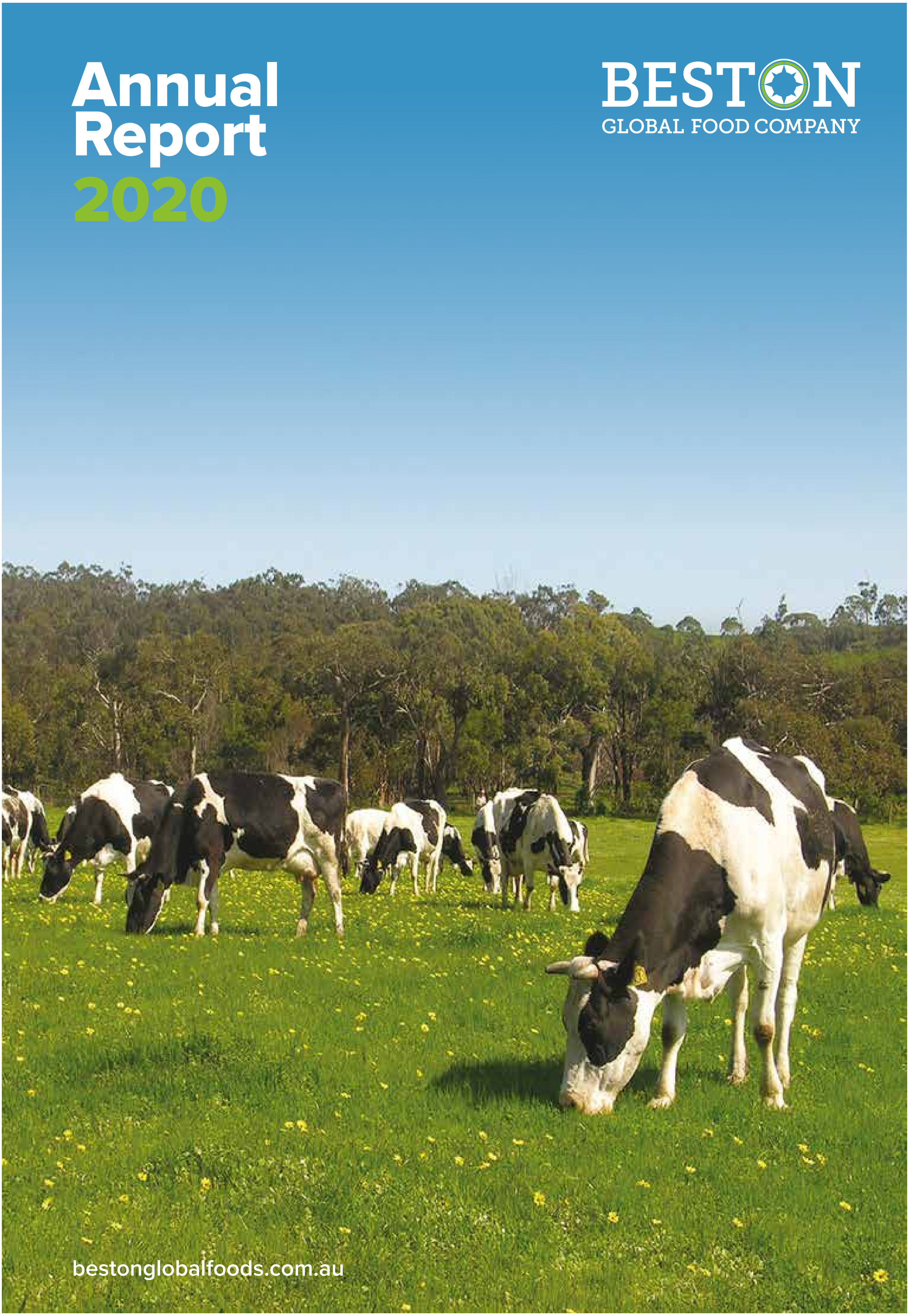
Annual Report 2020

BESTON
GLOBAL FOOD COMPANY



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Contents

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IMAGE

Finished products are stored in a modern warehouse and distribution centre within the Murray Bridge production facility

Our year – FY20 summary

Highest revenue on record

2019	2020
$85.2m	$103.1M

Dairy Gross margin up 3.7%

2019	2020
6.8%	10.5%

Milk supply up 8%

2019	2020
103ML	111ML

Lactoferrin production up 398%

2019	2020
290kgs	1,353kgs

Mozzarella production up 108%

2019	2020
4,387 tonnes	9,128 tonnes

Farm sales complete 31 August 2020

$40.4M

Loss to Beston shareholders

$11.6M

Net tangible assets

15.7¢ per share

Beston Global Foods Company Limited

Listed in 2015 and headquartered in Adelaide, South Australia, Beston (ASX:BFC) is a proud Australian company taking the best of Australian dairy and meat produce to the world with fresh milk supplied by our valued farmers.

Our dairy operations are centred in South Australia with 2 factories located at Murray Bridge and Jervois. Our meat operations are based at Shepparton in Victoria.

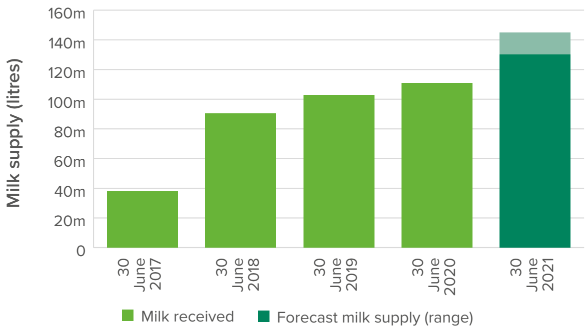
We have approximately 300 employees and 45 dairy farmer suppliers. Our products are mainly sold in Australia, Philippines, Vietnam, Malaysia and China.

2020: Progress Achieved

Strategic imperatives achieved during a challenging year with COVID-19

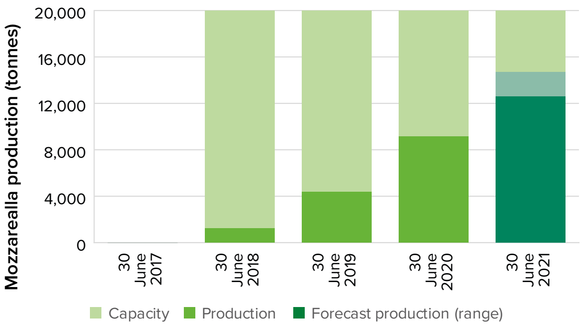
Milk supply

Secured 138ML for FY21



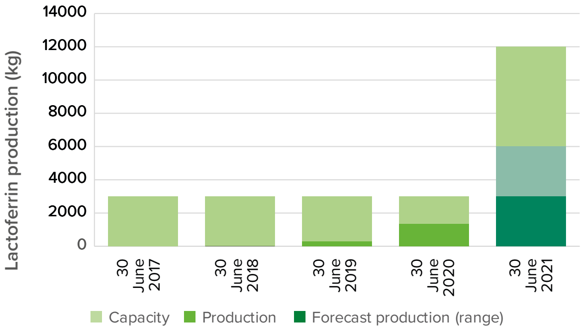
Mozzarella production utilisation

Production growing to meet demand



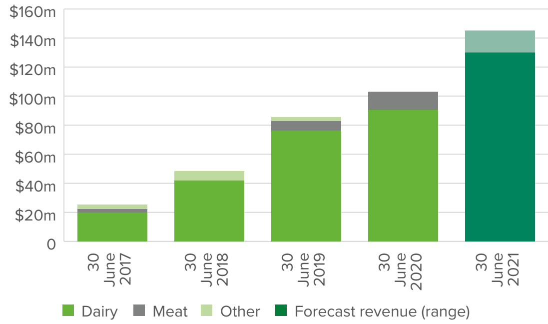
Lactoferrin production utilisation

Expansion project commenced



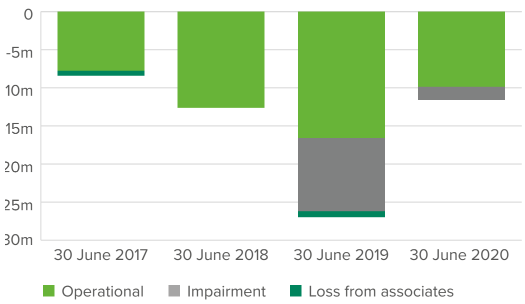
Revenue

Revenue growing with demand



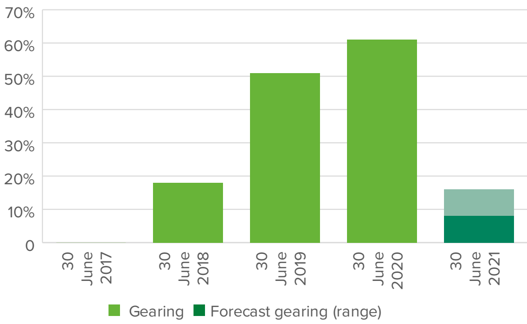
NPAT

Focus on dairy and meat to deliver results



Gearing

Balance sheet to support activities



“ FY20 was a year in which we substantially completed the foundations for significant growth in margins, profit and free cash flow. ”

Letter from the Chairman and Chief Executive Officer

Dear valued shareholders,

As we progress into the next financial year, Beston is navigating a period of both exciting growth and one of unprecedented challenges from the global COVID-19 pandemic. All of our lives have been impacted in one way or another by the pandemic and we are all hoping that the situation can be brought under control as soon as possible so that life can regain some sense of normality. We trust that you and your families have been staying safe, healthy and positive during this challenging period.

Before reflecting on the year that was and commenting on where we are headed, we would like to thank all our employees, farmers and other stakeholders who have been extremely dedicated to meeting the strictest of health and safety standards across our operations during this challenging period. Pleasingly, we have recorded no cases of COVID-19 and have continued to grow our production and supply of high-quality products.

As a consequence of the achievements we have made against our strategic imperatives in FY20, and with the continuing loyal support of our workforce, farmers and all stakeholders, we believe that Beston is extremely well placed to not only navigate the current challenges but also to thrive and grow into the future.

FY20 highlights

The past financial year was one of major milestones and continued growth, notwithstanding that the second half of FY20 fell well short of our expectations due in part to the impact of COVID-19 (as discussed below). We took large strides in implementing the five strategic imperatives outlined at the 2019 AGM, with the result that the Company is now well positioned for achieving profits, free cash flow generation and sustainable growth.

On the operations front, we increased mozzarella production by 108% to 9,128 tonnes, despite only an 8% increase in milk supply to 111 million litres ("ML"). This uplift in production significantly increased the capacity utilisation of the mozzarella plant delivering unit cost and yield benefits. We also increased lactoferrin production to 1.4 tonnes, up 398% from the prior year.

These operational successes flowed through to improved dairy revenue, which was up 20% to $90 million. Group revenues were $103.1 million, up by 21% on FY19.

With a growing sales pipeline, we sold out only 14.4 ML of raw milk, compared with 42.2 ML the prior year. This demonstrates our strategic imperatives in action, which we will touch on later. Pleasingly, during FY20 we managed to secure additional milk supply for FY21, with 138 ML now contracted. This will again translate into increased production which we expect will deliver additional sales of our higher margin products (assuming that there is no further deterioration in trading conditions due to COVID-19).

Clear progress was made during the year in executing against all of our strategic imperatives. A core element of our plan for FY20 was the focus on reallocation of capital and strengthening of our Balance Sheet. We have achieved this through the sale of our dairy farms and the recent successful equity raising.

The proceeds on the sale of the farms were received on 31 August 2020. Including the equity raising, these activities have delivered more than $50 million in cash proceeds to significantly reduce debt and fund the next stage of our lactoferrin facility expansion.

Impact of COVID-19

The COVID-19 pandemic brought significant challenges to our operations and our supply chain. The closure of restaurants and other food service outlets in response to government-imposed lockdowns resulted in the immediate cancellation of orders and a reduction of some 70% in the food service demand for our Mozzarella products. The production and sale of other high margin "flow-on products (i.e., whey powder and Lactoferrin which we produce from the whey liquid by-product of cheese making), was also impacted.

The decline in sales revenues, margins and earnings was a significant factor in contributing to our unexpected loss in the second half of the year.

While COVID-19 certainly interrupted the momentum in the business in 2H20, it is pleasing to report that our management team performed extremely well in responding to the additional demands, costs, complexity and volatility that the coronavirus pandemic imposed on our business.

Moreover, COVID-19 has validated the significance of the measures which have been put in place in recent years to "future proof" the business.

These include:

- Expanding the Lactoferrin plant to not only increase production but change the raw material source so that Lactoferrin is extracted before the cheese-making process rather than using whey liquid produced after the cheese is made.
- Widening the product range and the customer base so that the sales of mozzarella products are not so heavily weighted towards the food service sector.
- Improving productivity and reducing costs to provide greater flexibility in adjusting production to meet sudden changes in consumer demand.
- Pursuing market opportunities to expand our range of health and nutrition products, using the capabilities and capacities in our dairy nutraceuticals facility.

We are hopeful that the impacts of the COVID-19 pandemic will not be repeated in the future. That said, we are confident that the actions we have taken in the business, and are continuing to take, have made the Company resilient in responding to any challenges that may arise in the marketplace.

We have put enhanced food safety and quality control procedures in place during COVID-19 to ensure that we continue to produce products of the highest standards while also ensuring the safety of our employees and our customers.

Our strategic imperatives in action

Our strategy through FY20 has been to focus on the five strategic imperatives which underpin our growth objectives. These imperatives involve increasing the supply of milk, increasing capacity utilisation, broadening and deepening the sales pipeline, expanding the product mix (particularly mozzarella cheese products) and increasing the production of dairy nutraceutical products (primarily lactoferrin). As depicted below, these strategic imperatives represent a virtuous circle for increasing returns per litre of milk supplied.

In short, milk supply drives capacity utilisation of our dairy facilities, which are increasingly geared towards higher margin protein and nutraceutical products supplied to a growing and diversified customer base locally and overseas. Ongoing successful execution against these strategic imperatives will drive free cash flow generation, which in turn allows more milk supply to be secured, thus continuing the cycle of increasing returns per litre of milk supplied

Our operating and financial results in FY20 demonstrate the progress which has been made,

IMAGE

Lactoferrin in the freeze dryer is inspected prior to milling, ready for sale.

“ **Lactoferrin has been shown to have significant anti-viral, anti-bacterial, and anti-fungal properties. Lactoferrin inhibits viral entry ino human cells, and boosts immunity.** ”

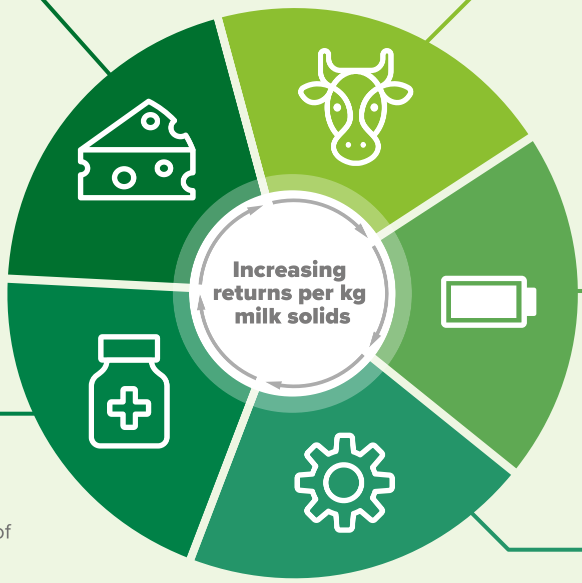
Letter from the Chairman and Chief Executive Officer

SALES PIPELINE

- Expanding customer base
- Diversifying product channels
- Driving revenue growth

MILK SUPPLY

- Security of raw materials (contact with dairy farm)
- FY21 contracted milk supply of - 138 ML; targeting - 150 ML.pa
- Sourcing > 20% of South Australian milk pool



CAPACITY UTILISATION

- Installed Mozzarella production capacity of 20,000 Tpa
- Currently - 40% utilisation and increasing

DAIRY NUTRACEUTICALS

- Valuable infrastructure acquired in 2016
- Replacement cost well in excess of acquisition cost
- Lactoferrin produced from skim milk and whey by-product
- Current capacity 3 Tpa
- Expansion to > 20 Tpa

PRODUCT MIX

- Dairy, meat and value-added protein producer
- Transitioning to higher margin product mix

from a situation of no production and no milk supply when Beston was formed, to where we are today:

- Contracted FY21 milk supply of 138 ML (targeting 180 ML from FY22);
- Mozzarella production capacity of 20,000 tonnes per annum (p.a.) (targeting 90% capacity utilisation from FY22);
- Lactoferrin production capacity of 12 tonnes p.a. post construction of the skim milk facility in FY21 (targeting >20 tonnes p.a. from FY23 following further expansions);
- Production of meat and non-meat protein products through Provincial Food Group; and
- A diverse and growing customer base, both locally and overseas.

With the increase in milk supply secured for FY21, and assuming there are no further extraneous shocks to the global economy, we expect significant bottom line improvements from all the hard work which has been done over the past five years.

Operational performance

While there has been much activity on the corporate front in FY20, our operational performance has continued to improve, notwithstanding the backdrop of drought, bushfires, and more recently, the global COVID-19 pandemic.

Our overarching operational objective is to increase the value extracted from every litre of milk supplied.

Key operational highlights from FY20 include:

- Total milk supplied for FY20 was 111 ML, up 8% on FY19 (103 ML).
- Milk supply for FY21 is forecast to be 131-145 ML, an increase of ~25%.
- Cheese production (mozzarella and cheddar) of 10,349 tonnes, up 72% on FY19 (6,021 tonnes).
- Lactoferrin production of 1.4 tonnes, up 398% on FY19 (0.3 tonnes).
- Product sales revenue (excluding milk sales) increased to $82 million, up 58% on FY19 ($52 million) as we continued to grow the sales pipeline.
- Mozzarella production achieved a 9% average yield improvement.
- Total revenues of $103 million (up 21% on FY19).

Pleasingly, growth in cheese and lactoferrin production was achieved during FY20, with only a modest increase in milk supply. This demonstrates the strength of the customer sales pipeline as most milk received is now being processed to meet our growing demand.

Our retail sales have remained strong during the pandemic with supermarket customers taking their full contracted volumes. At the same time however, sales into the food services channel decreased and fell below budget, with many restaurants and food service outlets hit hard during the pandemic.

Export sales inquiries have increased as some parts of the world have started to emerge from the pandemic, with a new contract for 1,000 tonnes p.a. to a large customer in China executed. Significant orders have also restarted from other countries in the Asian region.

Overall, the demand for our mozzarella increased in FY20, the order book continues to grow, and new sales opportunities continue to be pursued.

We also continue to receive great recognition for our cheese products, having recently won the coveted Canstar Blue Award (best consumer product) for the mozzarella cheese category.

Cost control and operating efficiency remain a key focus of the management team. Opportunities to reduce costs continue to be pursued and tested through the V3 lens: Volume, Value, Velocity. Increased throughout, leading to longer production runs combined with a number of production process improvements, has delivered a 9% improvement in the average yields of mozzarella production. This is a significant gain as milk costs are approximately 80% of the cost of production. Cost savings across all areas of our operations and support activities have been delivered and continue to be pursued. Examples include electricity and gas cost savings, freight and chemical costs reduced, product handling, packing, storage and distribution costs lowered, all of which have been done with fewer management and support staff.

At PFG, stronger retail demand for our meat-based products was realised during the COVID-19 pandemic. After a difficult 1H20, the team at PFG established a solid sales pipeline and are working hard to drive further improvements in the production processes to deliver cost reductions, which will support ongoing growth in margins and cash flows. Stronger demand experienced in 2H20 resulted in a breakeven run-rate by the end of FY20 for PFG, which is a significant improvement from the start of the year.

Lactoferrin plant expansion

The successful institutional equity raising and Share Purchase Plan have enabled the Company to commence construction of the skim milk based dairy-nutraceuticals facility at Jervois, South Australia.

The expansion of our lactoferrin capacity will be driven by the construction of a skim milk facility which is budgeted to cost approximately $12 million. The result will be an expected quadrupling of lactoferrin production capacity from 3 tonnes p.a. to 12 tonnes p.a. The new facility is anticipated to be on-line in March 2021.

Construction of the skim milk lactoferrin plant will enable a significant increase in lactoferrin production for a given level of milk supply. By way of example, 100 ML of milk processed using our current technology, which uses liquid whey from the cheese making process, yields roughly 3 tonnes p.a. of lactoferrin. The new facility will use skim milk as the input for lactoferrin production prior to the milk being used in the cheese making process, which will result in lactoferrin production of 12 tonnes p.a. from the same 100 ML of milk.

The economics of this further expansion are compelling and reinforce the importance of increasing milk supply and increasing plant utilisation for our higher margin dairy products to generate improved earnings.

The expected returns from increased production of lactoferrin will effectively underwrite much of the costs of producing mozzarella in future periods, therefore enabling Beston to remain very competitive with its milk purchase price relative to the market. More milk means more capacity utilisation to achieve further growth in high margin dairy products. Again, this is the virtuous circle that demonstrates our strategic imperatives in action.

Letter from the Chairman and Chief Executive Officer

The increase in the volume of lactoferrin production will also facilitate an increased focus on new value-added products for health and nutrition based on lactoferrin. Beston is well advanced for the launch of two lactoferrin drinks, "Life X10", which was released to the market in September 2020, initially in South Australia, and "Immune+" which is targeted to be released in October 2020.

Beston has also trademarked BIOLACTIVE as a brand carrier for nutritional products based around lactoferrin. These new product development initiatives will enable Beston to extract further value from our milk solids and also access new markets and trading partners.

Environmental, social and governance

BFC has undertaken a number of initiatives during the year which have achieved both improved operating efficiencies in the business as well as providing a number of important environmental and social outcomes.

It is clear to us that to continue undertaking such initiatives we need to be in a position of financial strength, in that we are delivering sustainable, long term revenue and profit. No company is able to spend money if it doesn't make money. As the Oxford Economist, Colin Mayer has written: "Companies exist to create profitable solutions to the challenges of people and the planet". The CEO of Microsoft, Satya Nadella has made a similar point: "Private enterprise as a social institution is the best mechanism we have come up with to allocate resources efficiently. But it also has to be governed such that those private enterprises are actually creating solutions, not creating problems." We agree.

We believe that our business needs to align our social and environmental responsibilities to our stakeholders and the communities in which we operate, with the financial expectations of our shareholders.

Beston is a member of the Dairy Manufacturers Sustainability Council of Australia (DMSC). As such, Beston continually aims to reduce the environmental impact of its operations and tracks its performance against a scorecard of environmental and sustainability performance.

Targets in the scorecard include energy consumption, greenhouse gas emissions, efficiency of water use, wastewater production (and re-use) and diversion of packaging waste from landfill.

Specific environmental projects undertaken in FY20 include:

- Reducing cardboard usage by 38 tonnes and plastic by 10 tonnes by changing to bulk packaging of mozzarella;
- Installation of enhanced waste water treatment facilities at PFG in Shepparton; and
- Obtaining governmental approvals for a solar-power project at Shepparton (expected completion by 31 December 2020).
- Planning is also underway for a major solar power project at Jervois. BFC is a mandatory reporter under the National Pollutant Inventory legislation, which requires the Company to report specific emissions to ensure that the Community has access to information about the emission and transfer or toxic substances which may affect them locally.

BFC has appointed a Quality and Environment Manager with responsibility for the development and implementation of strategies to meet the conditions of all environmental legislative requirements. The Work Health and Safety, and Maintenance Managers assist in ensuring compliance activities are completed and maintained.

To oversee the continuing progress in the area of ESG, the Board has established a Safety and Sustainability Committee, chaired by Non-Executive Independent Director, Ms Petrina Coventry.

The year ahead

FY20 was a year in which we substantially completed the foundations for significant growth in margins, profit and free cash flow that we are confident will be delivered in FY21 and beyond (as explained in the Chairman's update to the ASX on 1 July 2020). As a result of the hard work building the Beston business over the past five years, we take much momentum into FY21. The year ahead can be expected to be transformational in terms of earnings, return on capital employed, and free cash flow as we:

- Increase milk supply to 131-145 ML;
- Quadruple lactoferrin production capacity to 12 tonnes p.a.;
- Continue our transition to higher margin products with increased production of mozzarella and lactoferrin; and
- Apply the $40.4 million of capital from the sale of our dairy farms to debt reduction and working capital.

With increased milk supply, higher capacity utilisation, broader product mix (based around a focus on mozzarella production), an expanding customer base and expanded lactoferrin production capacity, we are confident that the levers are in place to deliver profit in FY21.

We have achieved major milestones over the past five years. We are now building on these milestones to drive sustainable value for shareholders into the future.

Closing

In closing, we would like to express our sincere appreciation to all our stakeholders for the strong support received during this past financial year. Our employees, farmers, suppliers, and the local communities in which we operate have all contributed significantly to our achievements, and we thank them.

We would particularly like to recognise our management team and staff, who have demonstrated resilience and dedication in what is a very challenging time. We operate as one team, keeping safe from COVID-19, and have not wavered from our overarching goal to become a leading Australian-based supplier of safe, clean, healthy food and beverage products to the world's growing consumer markets. Thank you to all.

We would also like to convey our appreciation to our Board of Directors who once again have demonstrated their expertise and experience in helping to guide the Company through the challenging period of the last twelve months.

Finally, we would like to thank you, our shareholders, for your continuing support as we embark on this next important and exciting period of Beston's journey. We look forward to providing regular updates on progress during FY21.

Roger Sexton
Chairman

Jonathan Hicks
Chief Executive Officer

IMAGE

Keeping a watchful eye on mozzarella moving through the brine bath.

> “ **Mozzarella production was 9,128 tonnes in FY 2020 compared with 4,387 tonnes in FY 2019 – an increase of 108%.** ”

Dairy segment highlights

Extracting more value per litre of milk

The Dairy Segment is the main operating division of the Group. During FY20 the segment included the dairy factory operations at Jervois and Murray Bridge in South Australia, located 50 minutes drive from Adelaide, and 4 dairy farms located in south-east South Australia, about 4 hours from Adelaide. Milk produced at the dairy farms was supplied to the dairy factories. The dairy farms were sold effective 31 August 2020.

FY20 highlights

- Milk Supply increased from 103ML to 111ML; contracts in place for FY21 to receive 138ML
- Mozzarella production increased 108% to 9,128T utilising 46% of plant capacity
- Sales revenue increased 20% to $90.4 million, despite COVID-19 impacts
- Gross margin increase to 10.5% from 6.8%
- Significant lactoferrin expansion project approved

The life blood of the dairy factories is milk supply. Milk supply for FY21 of 138ML has been contracted which will drive further growth in production and sales in FY21.

The dairy factories' key sales focus is on mozzarella and its associated by-products which provide a higher return than cheddar based products. As the mozzarella sales pipeline continues to expand, production has increased to 9,128T which is 46% of the mozzarella plant capacity.

Higher capacity utilisation and a focus on the operating mantra of Volume, Value, Velocity (V3) drives a significant improvement in the underlying operational performance of the factories. Production yields improved by 9% during FY20 and conversion costs reduced by 35%. These factors played a significant role in the improved gross margin of the dairy segment despite the pressures on sales prices and volumes as a result of COVID-19.

The V3 focus has also contributed to more efficient use of working capital. Significant reductions in days inventories and days debtors reflects the move to faster-turning mozzarella products and a higher quality customer base, with increased control over these areas a focus following COVID-19's arrival.

The high quality of our products continues to be recognised with the Company receiving a number of awards for its products during FY20, including being recognised by Canstar.

Sales into export channels increased significantly during FY20 reflecting the change in approach to direct selling from the dairy factories. Export sales were 29% of total sales, up from 5% in FY19.

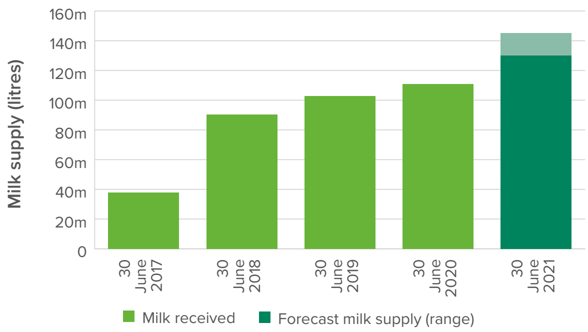
The customer base also includes a higher proportion of contracted sales (50%) and significant repeat customers (42%) with infrequent ad hoc purchasers accounting for only 8% of total sales. This profile reflects the efforts of the sales team to build out the sales pipeline with high quality reliable offtakers.

The improvements delivered in FY20 saw revenue per litre of milk received increase by 29% to $0.88/litre from $0.68/litre. This outcome reflects our dairy strategy in action- extracting more value for each litre of milk allows us to compete effectively for increased milk supply which enables us to realise the benefits of increased capacity utilisation, scale and ultimately margin.

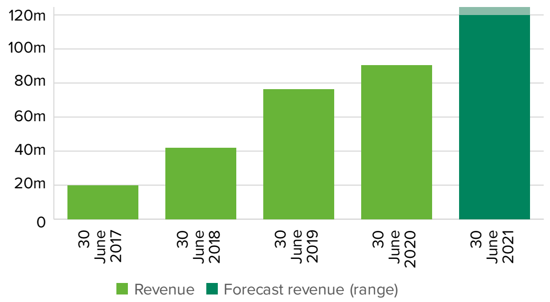
The expansion of our lactoferrin production factory to be able to produce 12MT p.a. (stage 1) is well under way, having commenced in July 20. The project is progressing in line with cost and schedule. The project is scheduled to be commissioned in March 21 and should contribute to increased sales and margins for the last 4 months of the FY21 year.

Operations at the existing lactoferrin plant (capacity 3MT p.a.) are not impacted during the new plant's construction, although there will be a short period of cut-over when the new plant is commissioned.

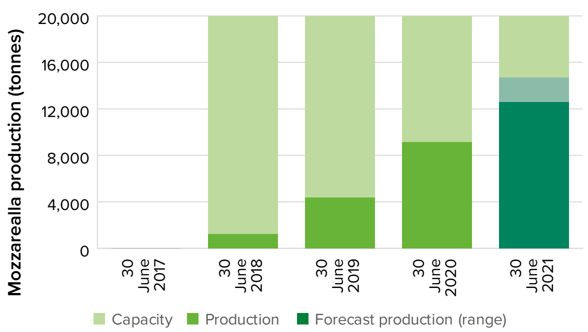
Milk supply



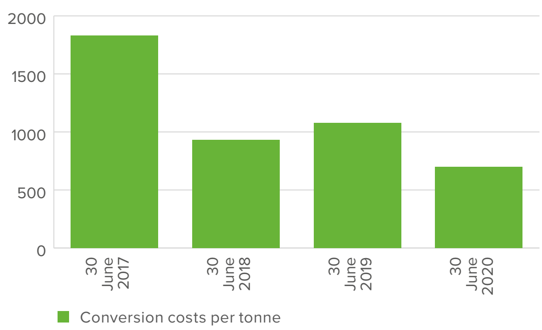
Dairy revenue



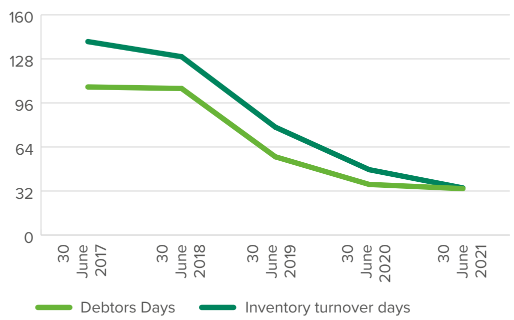
Mozzarella production



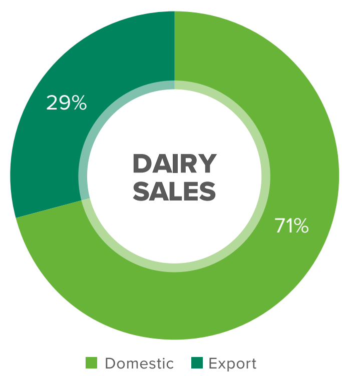
Conversion costs per tonne



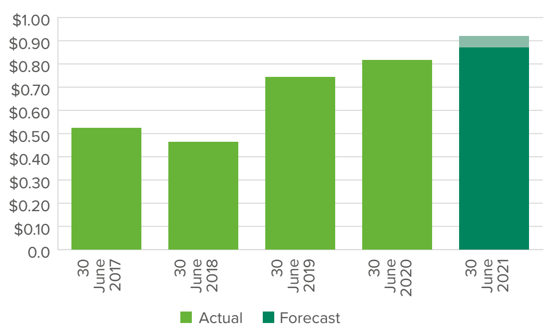
Working capital management

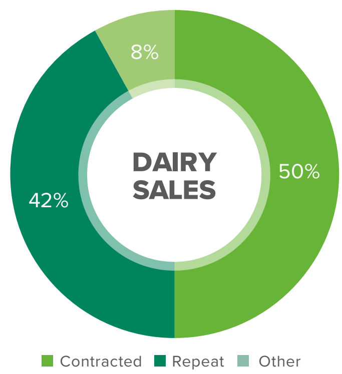


Dairy sales



Revenue per litre of milk received





Dairy segment highlights

Completion of the lactoferrin expansion (stage 1) during FY21 will add significantly to the profitability of the dairy business. A decision to undertake stages 2 and 3 will likely be taken shortly after stage 1 is completed.

The dairy business continues to look for opportunities to add value to through new product development. During the year a new mozzarella retail twin-pack was launched with distinct Italian and Mexican twists, which has been very well received.

The business is also about to launch a new anti-viral retail drink containing lactoferrin under the "Immune+" brand and is working on developing further products under this brand with lactoferrin as a core ingredient.

Overall, the Dairy segment reported a loss for FY20 of $5.7million (before allocation of $3.1 million of corporate costs), an improvement of $2.5 million over FY19.

Further discussion of the FY20 Dairy segment results is included in the Review of Operations and financial results commencing on page 34.

“ The upgrade and expansion of the lactoferrin plant to utilise the latest technology in extraction of lactoferrin from skim milk will add significant value to the business. ”

IMAGE

Liquid whey is passed through special resin in stainless steel columns to extract lactoferrin

Meat segment highlights

Positioned for higher sales and a positive FY21 contribution

The Meat Segment is based in Shepparton, Victoria, situated 2 hours drive from Melbourne. The business, known as Provincial Food Group (PFG) is focussed on the further processing of meat to produce ready-to-heat meat products and meat ingredients for food manufacturers. PFG has also developed capability in the manufacture of plant-based protein products. Beston acquired 100% of PFG on 23 August 2018.

FY20 highlights

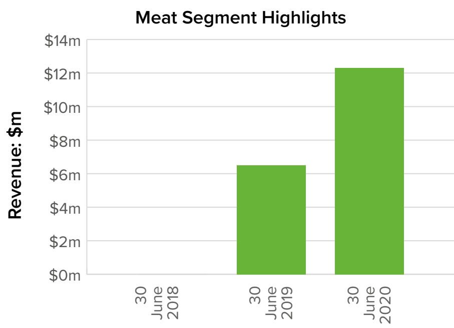
- Production capabilities enhanced through $1.1 million further invested in new equipment. Total equipment upgrades FY19/20: $3.2 million.
- Sales increased to $12.3 million on the back of enhanced production capability.
- A significant contract for a range of plant-based retail products was terminated as it became commercially unviable.
- Management and operational changes made through 2H20.

The meat segment incurred a significant loss in FY20 of $4.1 million (before allocation of $0.5 million of corporate costs). The loss was mainly attributable to the plant-based products contract that was terminated during the year.

New leadership at PFG has focussed on re-building demand for its traditional meat products and improving overall production performance. A number of production process improvements and cost reductions have been implemented in the last six months. Cost savings delivered include purchasing rather than hiring product bins saving $200,000 p.a., improving the waste water removal contract saving $150,000 p.a. and insourcing cleaning activities saving $180,000 p.a.

A heightened response to COVID-19 was also implemented as PFG operations are conducted in Victoria which has experienced the worst of the COVID-19 impacts in Australia. It is pleasing to note a recent unannounced government inspection was highly complimentary to the practices at PFG and took away examples of the actions implemented as case studies for other business to consider adopting.

The business is now positioned to make a positive contribution to the Group in FY21.



Capital management

Beston has executed its strategy to fund investment in lactoferrin production and growth whilst repositioning its balance sheet to provide flexibility for FY21 and beyond.

During FY20, Beston executed a number of capital management initiatives; firstly from the sale of the dairy farms to release lower-returning capital from its farms for redeployment into higher-returning dairy and meat activities and reduce debt, and secondly from an institutional capital raising and follow up SPP. The initiatives have provided most of the funding required for the expansion of the Company's Lactoferrin facilities, strengthened the Company's balance sheet by reducing debt, and positioned Beston to take advantage of investment opportunities as and when they arise in line with our long-term business plan. The restructured balance sheet also provides better protection when facing the challenges and opportunities thrown up by the COVID-19 pandemic. A stronger balance sheet will facilitate actions within the other key strategic imperatives outlined at the 2019 AGM to drive our transition to a higher margin, cash generating company.

The key actions, discussed further below, were:

- Sale of dairy farms and seafood assets
- Share Purchase Plans
- Institutional Placement and Share Purchase Plan
- Liquidity

The following table summarises the liquidity position of the company as at 30 June 20 and as at 31 August 20 following settlement of the farms sale transaction.

$ million	30 June 2020	31 August 2020
Cash	10.6	24.8
Undrawn debt	2.5	4.3
Total liquidity	13.1	29.1
Net Debt	38.8	6.4

Of the available liquidity at 31 August 2020, approximately $9 million is allocated to fund the remaining expenditure on the lactoferrin expansion project (stage 1).

The level of undrawn debt reflects the debt facilities currently available to the Company provided by its principal bankers NAB, which are reviewed annually.

Farm sale

The Company announced at its Annual General Meeting on 28 November 2019 that it proposed to sell and leaseback its four dairy farms at Mount Gambier in order to increase its return on capital employed in the business, retain milk supply from the farms and free up equity capital to fund the expansion of the Company's dairy manufacturing operations. The sale process for the farms was conducted through an international open tender process which commenced in January 2020 with final bids received on 5 March 2020.

The timing of final bids coincided with the introduction of travel and other restrictions due to the COVID-19 pandemic. This impacted on the due diligence processes for a number of bidders and slowed negotiations. Notwithstanding, Beston was able to manage its way through these issues as a result of the goodwill and understanding demonstrated by the short-listed bidders.

Beston announced on 11 June 2020 that Aurora Dairies would purchase the farms for a cash consideration of $40.4 million, subject to Foreign Investment Review Board approval. (FIRB approval was required because Aurora is funded by the Canadian Pension Fund). That approval was received on 29 July 2020 and the transaction completed on 31 August 2020.

The transaction was not predicated on a leaseback arrangement as Beston had offered to the market but provides us with milk supply security from these farms for a period of 10 years, with an option to extend beyond that time. Under the terms of the Sale Agreement, Beston will receive all milk from the farms, currently around 17 million litres per annum over a ten year period. Beston expects Aurora Dairies will continue to grow production from these farms in the future. Importantly, the Sale Agreement also commits Aurora Dairies to supply an additional 24ML of milk per annum from its other existing farms over the next five years.

Seafood assets sale

The Group's investment in the Ferguson seafood business comprised direct shareholding and investment in lobster licenses and a property that were leased to Ferguson's operations. The investment was under performing. The Ferguson family sought to sell their interests and Beston participated in the sale process. The sale process was unsuccessful.

Beston then transacted separately and on 14 October 2019 announced the sale of its lobster licenses for $7.5 million. The proceeds were used to initially reduce debt and support ongoing investment in the core dairy and meat businesses.

Beston's remaining shareholding in Ferguson Australia and an associated property was subsequently sold on 14 November 19 for $750,000.

Share Purchase Plan (SPP)

At the Annual General Meeting held on 28 November 2019, the Company advised it intended to offer its shareholders an opportunity to participate in an SPP to facilitate existing investment in the expansion of the lactoferrin plant at Jervois, South Australia.

The SPP was undertaken early in 2020 and closed on 6 February 2020. $2.4 million was raised through the issue of 27.7 million shares at 8.6 cents per share. The issue price represented a 5% discount to the VWAP of the shares traded on the ASX on the five days up to and including 31 January 2020.

Institutional placement

Beston announced the successful completion of a $10.0 million Institutional Placement on 22 June 2020. The Placement was over subscribed at an issue price of $0.085 per share.

As a result of the Placement, 117,764,715 new shares were issued to existing and new institutional shareholders. The issue price represented a discount of 19% to the Beston's last closing price of $0.105 on 17 June 2020 and a 5% discount to the 5-day VWAP. The new Placement shares settled on Friday, 26 June 2020, with the allotment and normal trading of new shares commencing on Monday, 29 June 2020.

In accordance with the COVID-19 related Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX on 31 March 2020 (as revised and amended), the Placement was within Beston's placement capacity calculated as if Beston's placement capacity under ASX Listing Rule 7.1 is 25% and not 15%. Accordingly, shareholder approval was not required for the Placement.

The Placement was undertaken to better equip the Company to deal with any challenges or opportunities arising from the COVID-19 pandemic and enable the Company to proceed with its "future proofing" plans, including the expansion of its Lactoferrin facilities at Jervois, South Australia.

Share Purchase Plan (COVD-19 related)

Following on from the Institutional Placement, the Company made an offer, on 19 June 2020, to its shareholders to participate in a Share Purchase Plan (SPP). Under the conditions of the COVID-19 related Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX on 31 March 2020 (as revised and amended), Beston was required to offer retail investors the opportunity to participate in the equity raising either through an SPP or a rights issue. The SPP was chosen for reasons of cost effectiveness and efficiency.

The new ordinary shares were offered to shareholders under the SPP at a price of $0.085, being the same price offered under the Institutional Placement.

The SPP closed on 24 July 2020, raising $1,162,125. As a result of the offer, 13,671,990 shares were issued to participating retail investors.

Other assets

Beston Technologies

One of the key objectives of Beston, in supplying premium, healthy food and beverage products to consumers was to be able to ensure consumers that they were "safe" and to be able to verify the provenance of the products. In order to achieve this , BFC has developed a technology platform which has been awarded 13 patents including a block chain patent from the USA.

BFC's technology eco-system comprises two separate technologies:

- BRANDLOK: anti-counterfeiting;
- OZIRIS: end-to-end traceability;

which are able to be delivered on a mobile device and provide consumers with the ability to verify the source and ingredients in food products and obtain assurance that the product they are purchasing or consuming is safe and authentic.

Consumer assurance can be provided by affixing a BRANDLOK seal to a product which contains data trace indicators that can be identified at point of consumption to verify that the product is authentic. OZIRIS is an App which scans traceability enabled labels to provide details to consumers on the origin of the product and the ingredients and processes used in the manufacture of the product.

BFC commissioned an independent review of its technology in 2019 by the technology consulting firm Readify Pty Ltd (a subsidiary of Telstra Corporation). The review concluded that the Beston Technology Platform (combining OZIRIS and BRANDLOK):

- Utilises fit-for-purpose technologies and presents functionality via attractive easy to use interfaces on appropriate device form factors.
- Solves verification and authenticity of the 'actual food product' whilst in the hands of the consumer rather than relying on the traditional manual capture techniques as per its emerging competitors.
- Provides a powerful model to market, based on its ability to enable food trust in existing systems and established E-commerce platforms.

The review identified a number of areas for enhancements particularly in relation to cyber security protections which are being implemented.

BFC signed an MOU on 17 June 2020 with a listed US technology company Digimarc Corporation, as a precursor to entering into an OEM Agreement to offer an integrated e-commerce traceability and anti-counterfeiting software-as-a-service (SaaS) solution to customers across a range of industries. The aim of the OEM Agreement is to establish Beston Technologies as a value-added re-seller of solutions comprising both Beston Technologies and Digimarc software to serve potential customers in Australia.

The technology embodied in the Digimarc platform is highly complementary to the BT technology eco-system and, when combined, will provide a comprehensive solution to customers seeking anti-counterfeiting and provenance verification protocols for their products. The objective is to achieve commercialisation of the resulting SaaS offering to customers.

AquaEssence

AquaEssence (AQE) is a Mount Gambier (South Australia) based beverage business which sources, produces and distributes high alkaline water products. BFC holds a 51% interest in AQE.

AQE's water licences enable it to source water from the underground limestone cave aquifers adjacent to the Blue Lake at Mount Gambier. Because of its origin, the water produced by AQE has a high alkaline content and is unique from competitor products.

AQE markets its range of packaged water products targeting both the wholesale and retail sector and holds supply contracts with a number of its customers, including OTR, Flinders Private Hospital, Metcash, Drakes, MineArc and BHP.

Neptune Bio-Innovations

Neptune Bio-Innovations (NBI) is a NSW based health and nutrition product manufacturing and distribution business which offers a range of proprietary pharmaceutical and nutraceutical products to pharmacies and health stores. BFC holds a 20% beneficial interest in NBI via a 10% shareholding and unsecured convertible notes.

NBI houses extensive food development and testing capabilities which is able to be utilised by BFC as required.

Environment, health and safety, social and corporate governance

The company commits to conduct its operations whilst meeting the highest standards of environmental care, and health and safety for all stakeholders consistent with our Vision of taking healthy eating to the world's growing communities with Australia's best food.

2020 has proved to be a very challenging year with an over-arching theme of managing the actual and potential impacts of COVID-19 on our people, operations and products.

When the pandemic emerged on the world stage, Beston responded very quickly by forming a dedicated team to monitor the development of the pandemic and oversee the actions to be taken to protect our people and our business. This early identification of the issue and its implications no doubt assisted us in minimising the negative impacts on our day-to-day activities.

Safety of our people came first. Although we already operate to high standards of cleanliness as a food producer, we increased our vigilance and enhanced our access protocols to further reduce risks of transmission in the workplace. We also ensured all employees and others in our factories and offices were reminded that the risks did not start and stop at the entrance to our premises but that their actions at home and in the community were paramount to maintaining their health and that of their families and friends. We were very pleased with the response of our people who embraced the need to be extremely careful in all that they did and care for each other.

We also conducted risk assessments of our farmer suppliers, supply chain and customer base. Important production inputs were re-ordered where risks were present. Credit controls were tightened where necessary.

As a result of these actions, we were very pleased to have managed through the worst of the crisis during the period April – June 20 without disruption to operations.

That is not to say that the market impacts of COVID-19 weren't felt. They were, and a number of our customers particularly in the food service sector were significantly impacted. Prices received for uncontracted volumes across a range of products were lowered. However, preparedness allowed us to manage the potentially more significant impacts of the situation well.

Our response to COVID-19 also highlighted some areas for ongoing improvement in our safety practices which are being implemented.

Outside of dealing with COVID-19, Beston has undertaken a number of initiatives as part of the continuous improvement of the business that both improve operating efficiencies and deliver important environmental and social outcomes. These are discussed in the Letter from the Chairman and Chief Executive Officer on page 4.

The Company is aware of its obligations relating to modern slavery and the need to ensure it identifies and deals with entities who do not engage in these practices. A preliminary risk assessment of our business counterparties indicates a low-risk of such practices in our key relationships. This initial assessment will be followed up with a more detailed review to be able to report formally on this issue before 31 December 2020 in compliance with the Modern Slavery Act 2018.

Corporate Governance practices are overseen by the Board. The Board has established appropriate practices and processes for the Company to ensure that the highest standards of Corporate Governance are met. These are regularly reviewed for both compliance and in light of current best practices. Further details of the key Corporate Governance policies can be found on the Company's website.

“ Beston’s Edwards Crossing Vintage Black Wax Cheddar won the People’s Choice award at the 2020 Dairy Australia Grand Dairy Awards. ”

Awards summary

Beston's products continue to be recognised for their consistently high quality. The company has received a total of 131 national and international awards since commencement of operations in 2015. Our dedicated cheesemakers strive to ensure the great fresh milk supplied by our dairy farmers is turned into the high-quality mozzarella, cheddar, hard cheeses and other products that our customers demand.

During the year, our products received several significant industry awards.

The mozzarella we supply to a large retailer was also awarded the coveted Canstar Blue Award (best consumer product).

2020 Dairy Australia Grand Dairy Awards

People's Choice

- Edwards Crossing Vintage Cheddar Black Wax

Champion Hard Cheese

- Edwards Crossing Parmesan

2020 Dairy Industry Association of Australia Awards of Excellence

Gold Medal

- Edwards Crossing Matured Cheddar
- Edwards Crossing Vintage Cheddar (150g)
- Edwards Crossing Colby
- Edwards Crossing Mozzarella (5kg)

Silver Medal

- Edwards Crossing Mild Cheddar
- Edwards Crossing Vintage Cheddar (20kg)
- Edwards Crossing Matured Cheese (200g)
- Edwards Crossing Mozarella (shredded)
- Edwards Crossing Gouda
- Edwards Crossing Romano
- Edwards Crossing Pepato
- Edwards Crossing Parmesan

Directors

Roger Sexton

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.

Roger has extensive experience in the agricultural sector, having undertaken tertiary studies in agricultural economics, in addition to finance and business management. On graduation, he worked for the Bureau of Agricultural Economics and was an Executive Director of the Industries Assistance Commission, specialising in rural industries.

Catherine Cooper

Independent Non-Executive Director

Catherine is an experienced Non Executive Director with an extensive portfolio of approximately 50 Board positions over 18 years.

After a professional career as a commercial lawyer, Catherine moved into the business world in 1992 and has developed wide knowledge and experience across a broad range of sectors such as agribusiness, food and health, energy and water, and science and technology.

Career highlights include the establishment of a national joint venture Rural Bank, being awarded as a Telstra Business Woman of the Year finalist twice, inclusion in an international management program at GE in New York and more recently winning a position in the ASX Top 200 Chairman's Mentoring program run by the AICD.

Stephen Gerlach

Non-Executive Director

Stephen Gerlach is Chancellor of Flinders University. He is also the Chairman of Adelaide Capital Partners Pty Ltd, Gerlach Asset Development Pty Ltd, Ebony Energy Ltd and a Director of Beston Global Foods Ltd and Beston Pacific Asset Management Pty Ltd.

He was formerly the Chairman of Santos Limited, Futuris Corporation Ltd (subsequently known as Elders Ltd), Equatorial Mining Ltd, Elders Australia Ltd, Challenger Listed Investments Limited, Amdel Ltd, and Penrice Ltd.

Jim Kouts

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.

Ian McPhee

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.

Petrina Coventry

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 the General Electric Company and The Coca Cola Company in the United States and Asia and more recently CHRO with Santos Ltd.

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.

Executives

John Hicks
Chief Executive Officer

Over the last 20 years, Jonathan has held senior positions within the Australian Dairy Industry, including Bega Cheese Ltd and Tatura Milk Industries Ltd and was part of the executive team which took Bega Cheese Ltd to an IPO in 2011.

He was the Chief Executive of Pure Dairy Australia, a successful Australian-based international dairy trading company from 2014 until 2017.

He then became Managing Director of an advisory firm operating across a range of agribusiness and manufacturing platforms, particularly in the dairy and pharma industries.

Darren Flew
Chief Financial Officer

Darren Flew is a highly experienced senior finance executive known for strong commercial and strategic capabilities focussed on driving achievement of business goals. Before joining BFC in March 2018, he spent 19 years at Santos in various senior finance roles including Chief Financial Officer Eastern Australia Business Unit and was variously responsible for finance, commercial, strategy, business development, procurement, joint venture engagement, environment, cultural heritage and regulatory engagement.

Prior to joining Santos, Darren worked for Baulderstone Hornibrook (construction) as their Group Finance Manager for 3 years. He qualified as a chartered accountant in 1985 working for Ernst & Young and spent time in Singapore and Toronto before leaving in 1996.

Hamish Browning
General Manager, Agribusiness

Hamish's career spans over 25 years in agriculture and food with Elders Ltd, Frontier International Agri Pty Ltd (Ruralco J/V, ASX:RHL), Thomas Foods International, and Beston Global Food Company. Senior management and administration roles held within these companies include Managing Director, Chief Operations Officer, General Manager, Senior Trader, and Chairman.

Hamish has a Graduate Diploma in Financial Services – AFMA, Cert IV in Frontline Business Management, Global Agribusiness Program - Harvard Business School and Executive Change Management Program – Aus Graduate School of Mgt.

Frank Baldi
GM Operations and Supply Chain

Frank commenced with Beston on 1 October, 2020. He is highly regarded, well credentialed, and comes to BFC with a significant background and experience in the Dairy and FMCG Industries.

Over his 30-year career, Frank has held a number of Senior Leadership and Strategic roles for Tatura Milk Industries, Bega Cheese, SunRice, Visy and more recently Freedom Foods where he was instrumental in the completion and commissioning of their Lactoferrin investment, along with other brand development and nutritional products portfolio.

David Wilson
GM Sales and Marketing

David Wilson has had 30 years' experience in FMCG, predominately with Philip Morris Ltd. Over these years his roles have included; Division Manager, State Field Sales Manager, Key Account Manager for Metcash, Woolworths, Coles, MSO's and held the State Manager SA/NT position. He was then appointed Region Manager for SA, NT, WA and Tasmania responsible for Philip Morris total business across these three States and Territory. David successfully held this position for 15 years and has also successfully managed multimillion-dollar accounts and large sales teams, which have delivered consistently on their targets and goals. He was employed by BFC in April 2018 as the National Retail Manager and was promoted to GM Sales and Marketing in August that year. The benefit to BFC re these skills has seen ranging across major MSO's, Woolworths and the Peregrine Group (OTR).

David has a Graduate Diploma in Innovation and Service Management at RMIT.

Remuneration

At the 2019 AGM 65% of votes cast were cast against the Remuneration Report constituting a "First Strike" under the Corporations Act 2001. These votes represented a very small number of shareholders (less than 2%) and significantly less than a majority of the votes eligible to be cast.

The Board of Directors has been keen, notwithstanding, to understand any shareholder concerns around the matters contained in the Remuneration Report. The Company has therefore actively engaged with shareholders in relation to these matters over the past twelve months and has also sought independent advice.

Since the 2019 AGM the Company has undertaken a review of Board and Executive remuneration and has formed the view that the overall level and structure remains appropriate.

The Company's remuneration structures are designed to attract, motivate and retain the best people whilst remunerating them reasonably and competitively. The overriding aim remains to ensure that executive performance outcomes are aligned with the strategic imperatives of the business in order to build profitability and shareholder wealth over the longer term.

The Company is also focussed on building a desirable workplace along with a corporate culture which supports our business strategy and ensures that decisions taken by management contribute to building longer-term sustainable returns.

Remuneration, policy and framework

The Company outsources responsibility for its overall investment management accounting and other administrative functions to the Investment Manager Beston Pacific Asset Management Pty Ltd.

As such, BFC does not remunerate any key management personnel directly, other than Non-Executive Directors who are included in the definition of "Key Management Personnel" below.

Oversight of the remuneration policies and practices at BFC, including the Non-Executive Directors, senior executive team and other employees, is undertaken by the Remuneration and Nominations Committee ("RemCo"). The RemCo comprises three Non-Executive Directors: Ms Petrina Coventry (Chair), Mr Stephen Gerlach and Mr Jim Kouts and makes recommendations to the Board and the Investment Manager on matters of remuneration, people and culture. The RemCo also makes recommendations to the Board on Director nominees and ensures that the Audit and Risk Committee and Sustainability and Safety Committee have the benefit of qualified and experienced Independent Directors (and appropriate advisers, as required).

Non-executive remuneration 2020

		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 employment benefits**	Annual and long service leave***	Shares	Share options	Total
		$	$	$	$	$	$	$	$	$
R N Sexton	2020	60,000	–	–	5,700	–	–	–	–	65,700
	2019	60,000	–	–	5,700	–	–	–	–	65,700
S Gerlach	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
P Coventry	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
J Kouts	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
I McPhee	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
C Cooper	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
Total NED remuneration	2020	260,000	–	–	24,700	–	–	–	–	284,700
	2019	260,000	–	–	24,700	–	–	–	–	284,700

The responsibilities of the RemCo include: monitoring executive remuneration and benchmarking to support the Company's business strategy, reviewing executive and key talent assessments for succession planning, making recommendations on talent and leadership development programs, monitoring culture and staff engagement metrics across the Company, overseeing the annual performance review process for Board members and undertaking periodic assessments of Non-Executive Director remuneration.

Key management personnel

In this discussion, Key Management Personnel (KMP) are those individuals having the authority and responsibility for planning, directing and controlling the activities of BFC, either directly, or indirectly. They comprise the Non-Executive Directors, the Chief Executive Officer (CEO), and the Chief Financial Officer (CFO).

The Chief Executive Officer and Chief Financial Officer are employed by the Investment Manager, along with a number of senior personnel deployed into the Company. During the financial year the remuneration of the Chief Executive Officer and the Chief Financial Officer, including superannuation entitlements and bonuses awarded, totalled $393,868 and $333,844 respectively. Their shareholdings at 30 June 2020 consisted of fully paid ordinary shares totalling 126,500 and 151,212 respectively. Neither the Chief Executive Officer or Chief Financial Officer have a formal bonus arrangement or other entitlement to remuneration or shares in the Company but did receive cash bonuses in respect of the financial year which were paid by the Investment Manager (and are included in the remuneration amounts shown above). They are also eligible to receive a portion of any Performance Fees earned by the Investment Manager.

The performance of the Chief Executive Officer is reviewed every six months against annual performance objectives.

Remuneration of Non-Executive Directors

The policy of the BFC Board is to remunerate Non -Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company.

In determining competitive remuneration rates, the Board review local and international trends among comparative companies and industry generally. Typically, the Company will compare Non-Executive Remuneration to companies with similar market capitalisations. These reviews are performance to confirm that non-executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Subject to on-going reviews, the maximum aggregate amount of fees that can be paid to Non-Executive Directors, effective from the date of listing, is $350,000 (excluding statutory entitlements and any other on-costs).

Details of the remuneration expenses paid for the Non-Executive Directors of the Company for the current and previous financial years are set out in the following table:

No additional amounts were paid to Directors during the financial year in respect to services performed outside of their normal duties.

There are no changes proposed to Non-Executive Director remuneration for FY21.

The performance of Non-Executive Directors is reviewed annually through a peer review process conducted by the Remuneration and Nominations Committee of the Board.

Details of movement in the shareholdings of Non-Executive Directors for the reported period are set out in the following table:

Share holdings 2020

Name	Balance at the start of the period	Changes (1)	Founders rights exercised during the period	Balance at the end of the period
Ordinary shares				
R N Sexton	18,306,215	1,046,511	–	19,352,726
S Gerlach	3,476,445	–	–	3,476,445
P Coventry	57,142	–	–	57,142
J Kouts	142,857	–	–	142,857
I McPhee	1,000,000	348,837	–	1,348,837
C Cooper	355,000	–	–	355,000
Total	**23,337,659**	**1,395,348**	**–**	**24,733,007**

(1) Changes represent shares that were purchased or sold during the year on an arms-length basis. There were no equity instruments granted during the period as compensation. The changes shown exclude shares acquired as part of the Share Purchase Plan (COVID-19 related) which completed on 24 July 2020.

Further information on remuneration matters for the reported period are contained in the Director's Report and Financial Statements.

Investment manager

BFC's Assets and Investments are currently managed through an Investment Management Agreement (IMA) put in place with the Investment Manager, Beston Pacific Asset Management Pty Ltd (BPAM).

BFC formally appointed BPAM as its Investment Manager at the time of the IPO to make recommendations and advise on investments and to manage BFC's investment portfolio. The Investment Manager is an Australian company and holds an Australian Financial Services Licence (AFSL No. 246727). Dr Roger Sexton and Mr Stephen Gerlach are Directors of BPAM and together through their related entities have a majority ownership interest in BPAM.

The IMA was for an initial term of five years from 28 August 2015. Consistent with the terms of the Agreement, after this initial term, the IMA is automatically renewed for further terms of five years. The IMA continues to renew for subsequent terms unless terminated by BFC or BPAM. The current term of the IMA expires on 28 August 2025.

Under the IMA, BPAM is responsible for the overall day-to-day management of BFC and for overseeing the management of BFC's assets. Services provided by BPAM include providing advice to the Board of BFC on strategy, capital raisings, asset development, asset acquisitions and disposals and undertaking various administrative functions on behalf of BFC.

Management fee

Under the IMA, BPAM receives a Management Fee which is based on a fixed fee (1.2% p.a.) of the Portfolio Value of BFC (exclusive of GST). The Portfolio Value is calculated half yearly using respected independent professional valuers. The Management Fee carries an entitlement to an annual bonus payment (performance fee) for outperformance (measured in terms of total returns to shareholders). The IMA includes a mechanism whereby BFC may offset the amount of any performance fee payable against historic negative performance.

The Management Fee paid to BPAM, as determined by the formula contained in the IMA, was intended to cover the cost of the remuneration and associated costs of the senior management team at BFC. The fee is calculated half yearly and paid monthly.

The amount of the fee is determined by the Portfolio Value of BFC and cannot be increased until the portfolio value increases. In other words, it puts a ceiling on the costs of managing BFC.

As a result, BPAM has reported publicly that it has absorbed various increases in employee remuneration costs, bonuses, CPI increases and other related costs without any compensating adjustment for these increases in the management fee paid to BPAM. BPAM has made it known to shareholders since the listing of BFC that it has met the shortfalls on the management fees paid to BPAM in the interest of building the business of BFC for the benefit of shareholders.

The management fee paid or payable to the Investment manager for the year ended 30 June 2020 amounted to $2.130 million (year ended 30 June 2019: $2.380 million).

Performance fee

In addition to the Management fee, the Investment Manager is entitled to be paid a Performance Fee at the end of each financial year from the BFC, in circumstances of outperformance.

A Performance fee equal to 17.5% (exclusive of GST) of the market capitalisation of the Company for 100% Outperformance by the Company. Outperformance is calculated as the Total Shareholder Returns (TSR) for the Company's ordinary shares for the relevant period less the change in the Benchmark TSR recorded for the same period. The Benchmark TSR is the ASX All Ordinaries Accumulation Index (ASX: XAOAI).

The Performance fee will be calculated half yearly and paid to the Investment Manager annually in either fully paid ordinary shares in the Company or performance rights at the election of the Investment Manager, not cash. The terms of the performance rights shall be agreed between the Investment Manager and the Company. The issue price for the shares shall be the 5-day VWAP of the Company's shares ending on the last trading day before the day of calculation of the Performance Fee. The payment of any future performance fee is subject to the clawback of any negative performance in previous years.

The senior key personnel employed by the Investment Manager, are eligible to receive a portion of any Performance Fees earned by BPAM. BPAM voluntarily forfeited its performance fee in 2016. The performance fee paid or payable to BPAM for the year ended 30 June 2020 amounted to nil (year ended 30 June 2019: nil).

Termination fee

A termination fee is payable by the Company to the Investment Manager if the Investment Management Agreement is terminated within the first five years of the Agreement or within any renewed five-year period of the Agreement. The termination fee is equal to 5% of the Portfolio Value of the Company, reduced by 1/60th for each calendar month elapsed between commencement of the Term (or Renewed Term) and the termination date.

Status

The IMA was originally put in place when BFC was predominantly made up of a portfolio of investments in unlisted entities. The reasons for the IMA were founded primarily around protecting and enhancing the interests of shareholders as summarised in the 2019 Annual Report. BPAM's extensive experience in funds management and securitising assets lent itself to assisting BFC to navigate the early years as a start-up company.

After five years of development, from start up in 2015, BFC has a clear strategy to build on the foundations which have been put in place and drive earnings growth over the next five years and beyond.

Accordingly, the Independent Directors of BFC and BPAM recently entered into discussions to consider the possible termination of the IMA following expiry of the initial five-year term. Consistent with the advice given to shareholders at the 2019 AGM, BPAM made it known to the Independent Directors that it would agree to terminate the IMA within the arrangements set out in the IMA.

BFC advised the market on 22 June 2020 that the Independent Non-Executive Directors of the Company were conducting an evaluation of the Investment Management Agreement (IMA) in place with Beston Pacific Asset Management Pty Ltd (BPAM) with a view to the possible termination of the Agreement.

Termination of the IMA requires that a notice of termination be put to a resolution of shareholders at an Ordinary Meeting of the Company and if approved triggers a termination payment under the terms of the IMA.

After extensive review, the Independent Directors have resolved that it is not in the best commercial interests of the Company at this time to move forward with the termination of the IMA. Accordingly, the IMA will continue to remain in operation and the issue of termination will be kept under review by the Independent Directors.

As a result of the sale of the dairy farms, and the cessation of business activities around the farm operations, the management fee payable to BPAM under the IMA will reduce as from 1 July 2020 to $1.62 million per annum for the FY21 period to 31 December 2020 (at which point it will be subject to further review in accordance with the IMA). The amended fee represents approximately 1.3% of forecast sales revenue for FY21, compared to 2.4% and 3.2% for the FY20 and FY19 years respectively.

IMAGE

Cheddar manufactured in the Murray Bridge factory continues to be an important part of Beston's portfolio of quality products.

“ With increased milk supply, higher capacity utilisation, broader product mix, an expanding customer base, and expanded lactoferrin production capacity, we are confident that the levers are in place to deliver profit in FY21. ”

Review of operations and financial results

Overview

Beston reported an after tax loss of $3.1 million in the first half of FY20. The main drivers of this loss were:

- Higher than expected milk costs due to a milk shortage as farmers worked their way out of two years of drought.
- Provincial Food Group underperformance, mainly due to a problematic contract that was terminated.
- Foregone sales and margins from reduced lactoferrin production (due to resin issues which were rectified with the plant upgrade completed in February 2020).

The Company expected to recover this loss in 2H20 and be profitable, on the back of improvements in the operational and financial performance of the dairy business which delivered benefits in terms of both lower unit production costs and higher yields from each litre of milk processed.

This progress towards sustainable profitability was interrupted by the on-set of the COVID-19 coronavirus pandemic in March 2020 which impacted on sales mix and margins.

The closure of restaurants and many other food service outlets in response to COVID-19 resulted in sales of Beston's high margin mozzarella products to food service customers falling by 70% from budget in 2H20 as customers cancelled both contracted orders and forward orders. The cancellation of orders was compounded by the resultant reduction in production of high margin lactoferrin and whey powder (both of which are produced from the whey liquid by-product derived from the manufacture of mozzarella).

The drag on margins and earnings resulting initially from the limited supply of milk in the early months of 2H20 (which pushed up prices) and then the impact of the COVID-19 pandemic from March 2020 onwards, contributed to the loss of $8.5 million reported for the 2H20 period. The result also included non-cash impairments of $1.2 million (after tax) relating to a write-down of plant and equipment in the water business and write-off of some redundant technology assets.

The statutory loss attributable to members of Beston for the full year 2019-20 was $11.6 million.

Strategic Imperatives

Beston has been transitioning into a company that is focused on the production and supply of protein: primarily with dairy products (especially high margin products, mozzarella and lactoferrin), but also with meat and alternative meat products.

A key driver of increasing profit and free cash flow generation in the dairy business is milk supply, and to this end we have taken large strides to position ourselves for strong supply in FY21 and beyond. The key actions to deliver more milk supply and implement our other strategic imperatives are summarised in the table below.

Grow Milk Supply	• FY20 milk received of 111 ML (FY19 103 ML) • FY21 contracted milk supply of 138 ML (annual run rate of 147 ML)
Capacity Utilisation	• Nearly all milk received processed into cheese • FY20 mozzarella plant capacity utilisation of 46% (FY19 22%) • FY21 utilisation forecast of ~70%
Sales Pipeline	• Strong demand for mozzarella domestically and internationally • Sales pipeline remains robust despite COVID-19 impact on domestic food services customers
Product Mix	• FY20 mozzarella production of 9,128 tonnes (up 108% on FY19) • FY20 mozzarella sales were 79% of total cheese sales (up 22% on FY19) • FY21 mozzarella sales expected to be around 95% of total cheese sales • Lactoferrin expansion approved and commenced in July 2020, completion expected in March 2021 • New products developed to increase margins
Dairy Nutraceuticals	• FY20 production capability and quality levels restored with plant upgrade • Lactoferrin to be produced from skim milk to expand capacity and increase earnings on completion of new plant

In addition, two other important actions were implemented during the financial year that will have a material impact on the business moving forward. The first was the actions taken to fund and build a new lactoferrin facility, which will quadruple existing lactoferrin production capacity to 12 tonnes p.a. The second was the $40.4 million sale of our dairy farms, which was announced toward the end of the financial year. The proceeds of the dairy farm sale, in addition to the equity raising undertaken to fund the lactoferrin plant expansion, will deliver financial stability and Balance Sheet strength through reduced gearing.

The potential sale of the dairy farms, subject to mechanisms for locking in milk supply, was foreshadowed to shareholders in 2017 as a means of achieving an increase in the return on capital employed in the business. The sale result now achieved will not only facilitate the redeployment of capital and enable a greater focus on the production of high margin dairy and meat products, but has also locked in the supply of more than 40 million litres of milk under long term contracts.

Group Result

Although the financial results of FY20 fell short of our expectations, a number of significant financial and operational achievements were made which will help to cement a profitable future. These included increased contracted milk supply (the core driver of our dairy business that delivered sales revenue growth of 22%, to $103.0 million) and improved yields and lower unit costs (delivering a 9% improvement in mozzarella yields and an overall improvement in dairy gross margin to 10.5%).

These operational improvements in yields and unit costs were partially offset by higher milk costs (due to milk supply constraints, as farmers worked their way out of two years of drought). Intense competition for increasingly scarce milk amongst milk processers in Australia in 1H20 had an on-flow on effect of higher milk prices. The Company experienced a lag, of some three months, in being able to pass these higher milk costs through to customers. The pass through of costs was also impeded by the onset of COVID-19 which reduced orders from the food service sector. The combined effect of the higher milk prices (which account for around 80% of total input costs) and the COVID-19 induced decline in food service orders meant that the Company had to absorb a higher level of costs than budgeted in 2H20.

One of our core focuses of the Company moving forward is lactoferrin. The construction of a new skim milk based lactoferrin facility has commenced and will replace the existing whey based facility on completion in March 2021. The new facility will increase the amount of lactoferrin available for sale (by around 300%) and substantially increase the gross margins achieved on each litre of milk processed.

Review of operations and financial results

As a result of the challenges encountered at Provincial Food Group in 1H20, mainly due to a contract to produce plant-based products that became commercially unviable, a number of significant management and operational changes were made at PFG in 2H20. By financial year end, PFG was operating in line with expectations. A number of new traditional meat contracts were obtained in the latter part of 2H20 which will boost sales and margins in FY21.

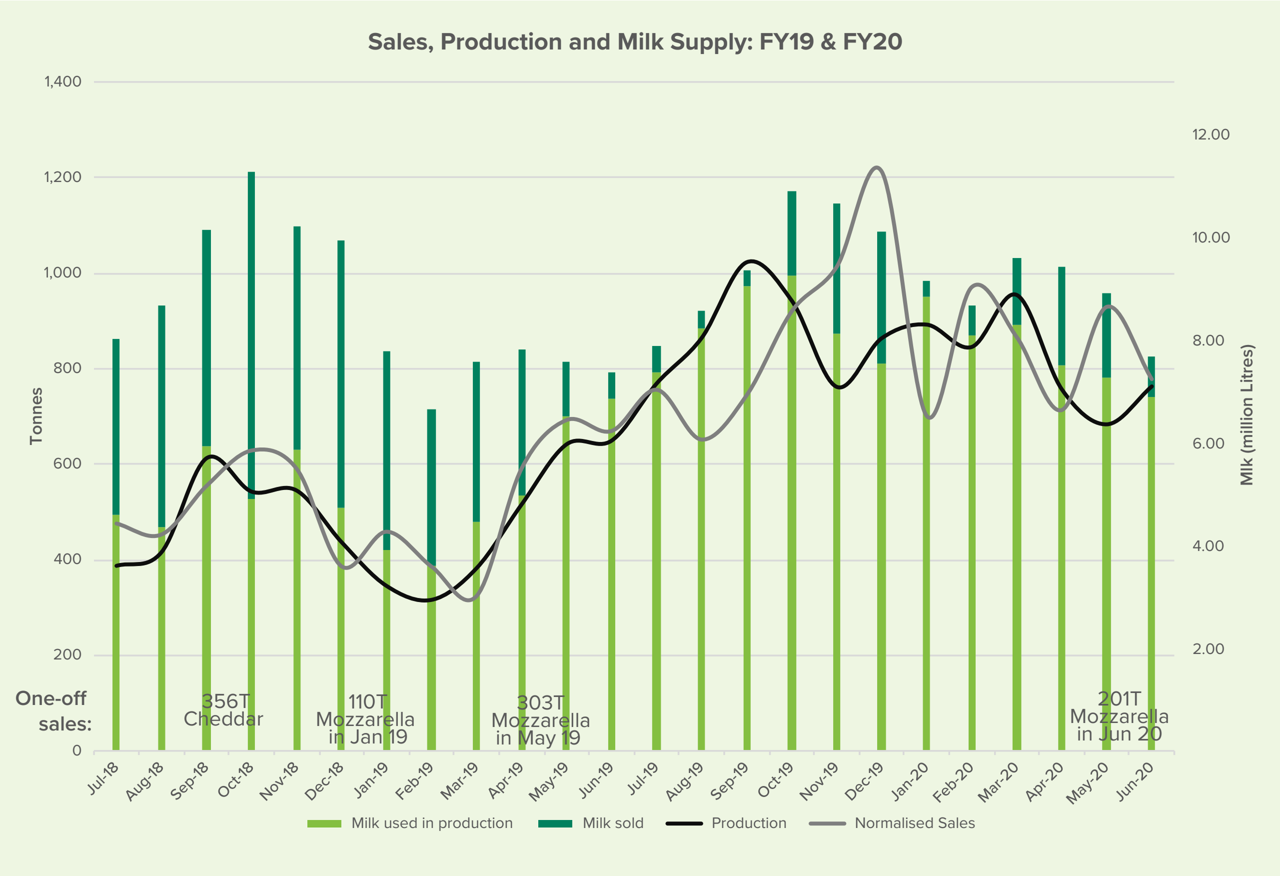
The Company's focus on its core dairy and meat businesses resulted in the closure and substantial downsizing of non-core activities during the year. Net cost reductions of $3.6 million were realised through these measures, with proceeds from the sale of assets, mainly the lobster licenses, generating $7.8 million cash.

As explained above, the second half of FY20 was impacted negatively by COVID-19, which introduced new challenges to our operations and supply chain, as well as to our customers. The decline in food service sales (as explained above) and increased costs associated with operating in a COVID-19 environment made trading conditions in Q4 extremely difficult. The measures taken by the Commonwealth and State Governments to slow the spread of COVID-19 infection, and on-going changes to those measures from week to week, affected the ability of many food service businesses to operate and created uncertainty about when they would be able to resume normal operations (thereby leading to the cancellation of both contracted orders and forward orders).

The full year result for the Group was a loss attributable to members of Beston after tax of $11.6 million (FY19 $27.0 million). The half year and full year underlying operating results were as follows:

Result attributable to Beston shareholders:	1H20 $m	2H20 $m	Full year 2020 $m	FY19 $m
Underlying NPAT [1]	(6.1)	(6.3)	(12.4)	(17.3)
Gain on sale of assets	1.8		1.8	–
Impairment		(1.0)	(1.0)	(9.6)
Milk cost step up in 2H20	1.2	(1.2)	na	na
Statutory Loss after tax	(3.1)	(8.5)	(11.6)	(27.0)

[1] The use of the terms 'statutory' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. Underlying earnings have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by the Group's external auditors



Dairy Segment

The dairy business reported a loss in the second half of FY20 which was not anticipated. A substantial improvement in the financial performance of the dairy business was expected in 2H20 on the back of increased sales in mozzarella and lactoferrin as more milk became available for processing. However, the on-set of the COVID-19 pandemic across the nation introduced restriction into consumer channels which resulted in food service sales (primarily mozzarella) falling away as restaurants closed and orders were cancelled at short notice.

The chart above details sales, production, and milk supply in FY19 and FY20. Cheese sales and production volumes (mainly mozzarella) grew strongly in FY20 when compared to FY19, which was driven by increased milk supply.

The above chart clearly shows the seasonal impact on our dairy business. Milk supplied is the total of the green columns, with the highest supply in the spring calving period and a second smaller peak in the autumn calving period. The impact of the drought was experienced in both of the previous financial years and was particularly evident in 2H19, with autumn milk volumes well down on expectations. FY20 autumn milk volumes were more in line with expectations as general farming conditions began to improve.

Milk committed to dairy production is represented by the light green bars and milk sold out the dark green bars. One of our key objectives is to minimise the amount of milk sold out, so that the processing of high margin mozzarella and associated products can be maximised. However, a continuing tight milk supply drove higher prices and resulted in the lifting of our year end base milk price to $7.05/kg (up from the opening price of $6.80/kg). The price increase was retrospective and applied to all milk supplied during the year, thereby increasing milk costs in 2H20 (by some $1.2 million) which is wholly reflected in the full year result.

Review of operations and financial results

The COVID-19 impact was swift and resulted in cancelled orders and lower sales volumes to food services customers. The sudden emergence of surplus product available for sale across the whole dairy processing sector resulted in downward pressures on prices as processors sought to move stock produced. This meant that certain of our dairy products were sold at discounted prices, including 210 tonnes of surplus mozzarella in Q4 (with lost margin of around $250K).

These order cancellations had the flow on effect of reducing the production of high margin lactoferrin and whey powder, both of which are produced from the whey liquid by-product derived from the manufacture of mozzarella. The lactoferrin plant was offline for the first part of Q3 while the upgrading works (and replacement of the resin) was undertaken. Then in Q4, the coronavirus induced reduction in mozzarella production (and reduction in why liquid feedstock), meant that lactoferrin production fell below budgeted levels, all of which impacted negatively on the bottom-line performance of the dairy business in 2H20.

The production of whey powder in 2H20 was approximately 500 tonnes below budget for the same reasons, and thereby also impacted negatively on pre-tax earnings.

We took the cautious approach in Q4 FY20 of selling milk at levels above those previously planned, to balance production and demand while also maintaining an appropriate level of cash flow. The opportunity was also taken to complete a planned 5-day major maintenance shutdown at Jervois in May, with milk supplied on those days on-sold. The selling out of milk to balance short-term production and demand through the COVID-19 trading conditions reduced the production of by-products and reduced earned margins below expectations in 2H20.

Notwithstanding the significant financial effects of the pandemic on our dairy business, a heightened focus was placed on operating performance in 2H20, which delivered both lower unit production costs and higher yields from each kilogram of butter fat processed. The positive effect of these operational improvements will remain in place moving forward and be a contributor to our future results.

Pleasingly, our total forward order book has now resumed its growth trajectory. Food service customers began placing additional orders in June ahead of the most recent COVID-19 outbreaks in Victoria, and to a lesser extent NSW. (The situation in this segment of the market remains uncertain week-to-week as government imposed restrictions change from week to week).

Retail demand has remained stronger than expected as customers continue to take their contracted volumes. Export sales enquiries have also increased, with a new mozzarella contract for 1,000 tonnes p.a. to a large customer in China recently executed and a steady flow of new enquiries being received from the South East Asia region.

In addition to these new sales opportunities, we are continuing our focus on the development and delivery of new products to market, such as the recently launched mozzarella Twin Pack product.

The final result for the Dairy segment was a pre-tax loss of $8.7million (FY19 pre-tax loss of $12.5 million).

Notwithstanding the negative impacts of COVID-19 on the financial results of our dairy business, we have maintained our focus on growing mozzarella sales for FY21, which will continue to improve our capacity utilisation levels to produce as much mozzarella as our growing milk supply will allow. Mozzarella and its associated by-products, including lactoferrin, will continue to generate the best return from our core assets.

Dairy Factory Production Statistics:

	1H20	2H20	FY20	FY19	Change
Milk received - ML	57.4	51.4	110.8	102.8	8%
Milk processed - ML	49.5	44.9	96.4	60.6	59%
Mozzarella - T	4,393	4,735	9,128	4,387	108%
Cheddar - T	937	284	1,221	1,634	(25)%
Whey Powder - T	2,150	1,813	3,962	2,635	50%
Cream -kl	782	831	1,614	929	74%
Butter - T	48	177	224	238	(6)%
Lactoferrin - kg	638	771	1,408	283	398%
Milk sales - ML	7.9	6.5	14.4	42.2	(66)%

Milk Supply

Total milk supplied for FY20 was 111 ML (FY19 103 ML).

As noted earlier, milk receivals for FY21 are contracted at 138 ML, an increase of ~25%. This significant growth in milk supply will support the continued growth of the sales pipeline and the transition to higher margin products. We expect operating efficiencies to be further enhanced as we achieve even higher capacity utilisation and improved factory cost recoveries.

Lactoferrin

Work on stage 1 of the lactoferrin expansion project, which will see lactoferrin produced from skim milk rather than from liquid whey, is now underway. The project will cost approximately $12 million and is expected to be completed and commissioned in March 2021.

Lactoferrin production capacity will increase from 3 tonnes p.a. to 12 tonnes p.a. as a result of this new extraction process.

Total lactoferrin production in FY20 was 1.4 tonnes (FY19 0.3 tonnes), which was approximately 50% of the whey based lactoferrin facility's capacity. Operating issues with the facility required the resin in the extraction column to be replaced, which resulted in the cessation of lactoferrin production for several months. These issues were rectified during February/March, with the subsequent production rates being hampered by reduced whey liquid feedstock, as explained above.

Meat Segment

PFG benefitted in 2H20 from stronger retail demand for meat-based products as a result of COVID-19. This stronger demand, along with more streamlined production processes and the cessation of a loss -making contract, resulted in an improved 2H20 result. Sales for FY20 were $12 million, with a solid order book to underpin sales for FY21.

The final result for the Meat segment was a pre-tax loss of $4.5 million (FY19 pre-tax loss of $2.7 million).

Other Segments

The Company's focus on its core Dairy and Meat businesses led to the sale of its seafood related assets during the year. Other non-core Australian activities have been substantially reduced. In line with the strategy announced in FY19, the international offices in Shanghai and Bangkok were effectively closed during the year with only residual costs being incurred. Cost savings amounted to approximately $3.6 million.

Financial Position

During the year net debt reduced by $0.3 million. Gearing at 30 June 20 was 49%, in line with the prior year. Additional borrowings were drawn during the year as a result of the operating losses and capital expenditure program. In 1H20, the sale of the non-core seafood interests returned $7.8 million of capital.

A Share Purchase Plan undertaken in February realised $2.1 million in net proceeds. These funds were applied to upgrade the existing lactoferrin plant including the installation of new resin in the fractionation tower.

Following a detailed strategic assessment, investment in the lactoferrin expansion project was approved at a cost of approximately $12 million, with the funding of this investment largely from new equity. In June 2020 an institutional share placement was undertaken which realised $9.4 million and, subsequent to year end, a further Share Purchase Plan was completed which raised $1.2 million.

In June 2020, the Company announced that it had sold its dairy farm assets for $40.4 million. The assets have been classified as held for sale as at 30 June 2020 in the financial statements, with the proceeds from the sale of these assets received on 31 August 2020.

With a significantly strengthened Balance Sheet and low levels of gearing following receipt of the farms' sale proceeds, Beston is well placed financially for FY21. Assuming there is an easing of COVID-19 restrictions across customer channels, and dependent on timing of the easing, the Company is expecting to achieve much stronger trading results in FY21. This is expected to be driven by increased milk supply, the new lactoferrin plant (coming onstream in March 2021), productivity improvements made in the facilities and other measures which have been put in place around our five strategic imperatives to drive sustainable margins and profitability.

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 2020. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were Directors of Beston Global Food Company Limited ("the Company") 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, meat, 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.

Dividends - Beston Global Food Company Limited

There were no dividends provided for during the year ended 30 June 2020 (2019: 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 financial results on pages 34 to 39.

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 22 July 2020, Beston Global Food Company Limited announced the launch of a Share Purchase Plan offer (SPP). The SPP opened on 29 June 2020 and was closed on 24 July 2020. $1.16 million was raised and approximately 13.7 million new shares were issued at 8.5 cents in accordance with the terms and conditions of the SPP.

On 31 August 2020, the Group received proceeds due from the sale of its dairy farm assets. The sale of the dairy farm assets for $40.4 million was announced on 11 June 2020, with the final proceeds to be received subject to normal settlement day adjustments.

Other than the SPP and sale of the dairy farm assets noted above, and what has already been disclosed in the financial report, no matter of circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Whilst the Group has not seen a further material direct impact on our business since year end as a result of the COVID-19 pandemic, the outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain. As at the date of this report however they are not presently having an unexpected impact on our earnings, cash flow and financial position.

Likely developments and expected results of operations

Refer to the operating and financial review on pages 34 to 39 for information on likely developments and future prospects of the Group.

Environmental regulation

The Group and its activities in Australia are subject to strict environmental regulations. The Group's manufacturing facilities in Jervois, Murray Bridge and Shepparton operate under various licences and permits under state, federal and territory laws in Australia.

Beston Global Food Company regularly monitors its compliance with licenses and permits in various ways, including through its own environmental audits as well as those conducted by regulatory authorities and other third parties, and to the best of the Directors' knowledge all activities have been undertaken in compliance with or in accordance with a process agreed with the relevant authority.

The Company has not incurred any significant liabilities under any environmental legislation during the financial year. There have been no significant known breaches of the Group's licence conditions or any environmental regulations to which it is subject.

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	
Former directorships in last 3 years	
Special responsibilities	• Founder of Beston Global Food Company Limited • Chair of the Board • Member of audit and risk committee
Interests in shares	Ordinary shares – 20,411,549

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 the Chancellor of Flinders University. 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 including Southcorp Holdings Ltd, and has been, and continues to be, involved in many not for profit organisations including the Australian Cancer Research Foundation, the General Sir John Monash Scholarship Foundation, Foodbank SA and Chair, Psychosis Australia Trust.
Other current directorships	Chairman, AML3D Ltd (since 30 August 2019)
Former directorships in last 3 years	
Special responsibilities	• Member of remuneration and nomination committee
Interests in shares	Ordinary shares – 3,829,386

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 and works with several universities in the area of education around governance and professional ethics.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	• Chair of remuneration and nomination committee
Interests in shares	Ordinary shares – 57,142

Directors' report

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 insight of air freight logistics into Asia, will be valuable on the Board.
Other current directorships	
Former directorships in last 3 years	
Special responsibilities	• 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		
Former directorships in last 3 years		
Special responsibilities	• Chair of the audit and risk committee	
Interests in shares	Ordinary shares	1,525,307

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 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 the Environment Protection Authority SA, and is a director of the Australian Egg Corporation Limited and Wine Australia Ltd. 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	
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

Richard 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.

Richard 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.

Richard is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), Graphene Technology Solutions Limited, Unity Housing Company Limited, and Variety SA; and Company Secretary of a number of ASX Listed Companies. Richard is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

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 2020, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees: Audit and risk		Meetings of committees: Remuneration and nomination	
	A	**B**	**A**	**B**	**A**	**B**
R N Sexton	13	13	4	4	–	–
S Gerlach	12	13	–	–	1	2
P Coventry	13	13	–	–	2	2
J Kouts	13	13	–	–	2	2
I McPhee	13	13	4	4	–	–
C Cooper	13	13	4	4	–	–

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 2020 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
J Hicks	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.

Directors' report

(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 2020, BPAM was paid $2,130,000 under this arrangement (2019: $2,380,498).

The Chief Executive Officer and Chief Financial Officer are employed by the Investment Manager, along with some other senior personnel deployed into the Company. During the financial year the remuneration of the Chief Executive Officer and the Chief Financial Officer, including superannuation entitlements and bonuses awarded, totalled $393,868 and $333,844 respectively. Their shareholdings at 30 June 2020 consisted of fully paid ordinary shares totalling 126,500 and 151,212 respectively. Neither the Chief Executive Officer or Chief Financial Officer have a formal bonus arrangement or other entitlement to remuneration or shares in the Company.

(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 Beston and the performance of the Beston'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 Beston, the Investment Manager would have been entitled to receive a performance fee of nil for the year ended 30 June 2020 (2019: nil).

The key metrics of the fee are summarised below:

Key metrics	1 July 2019	30 June 2020	Performance
Beston Global Food Company Limited	$0.12	$0.085	-29.17%
ASX All Ordinaries Accumulation Index	$69,660.23	$64,331.67	-7.64%

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	$50,051,577.14
B. Outperformance factor (BFC TSR% – ASX:XAOAI TSR%)	-21.53%
C. Agreed performance fee %	17.5%
Total performance fee for the 12 months to 30 June 2020:	
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 2020.

(d) Link between remuneration and performance

Statutory performance indicators

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

	2020	2019	2018	2017	2016
Profit for the year attributable to owners of ($'000)	(11,579.2)	(26,975.0)	(12,593.0)	(7,749.0)	(1,716.0)
Basic earnings per share (cents)	(2.5)	(6.1)	(2.8)	(1.8)	(0.5)
Share price at year end (cents)	8.5	12.0	17.5	22.5	40.4
Net tangible assets per share (cents)	15.7	13.7	23.6	28.3	33.7
Dividend payments ($,000)	–	–	–	–	2,179.0

(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.

Figure 7: Non-executive remuneration

		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 employment benefits**	Annual and long service leave***	Shares	Share options	Total
		$	$	$	$	$	$	$	$	$
R N Sexton	2020	60,000	–	–	5,700	–	–	–	–	65,700
	2019	60,000	–	–	5,700	–	–	–	–	65,700
S Gerlach	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
P Coventry	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
J Kouts	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
I McPhee	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
C Cooper	2020	40,000	–	–	3,800	–	–	–	–	43,800
	2019	40,000	–	–	3,800	–	–	–	–	43,800
Total NED remuneration	2020	260,000	–	–	24,700	–	–	–	–	284,700
	2019	260,000	–	–	24,700	–	–	–	–	284,700

* 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 (2019: $nil). Refer to part (f)(i) of this remuneration report for further details.

Directors' report

(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.

No additional amounts were paid to Directors during the financial year in respect of services performed outside of their normal duties.

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.

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 2020

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	18,306,215	1,046,511	–	19,352,726
S Gerlach	3,476,445	–	–	3,476,445
P Coventry	57,142	–	–	57,142
J Kouts	142,857	–	–	142,857
I McPhee	1,000,000	348,837	–	1,348,837
C Cooper	355,000	–	–	355,000
Total	**23,337,659**	**1,395,348**	**–**	**24,733,007**

(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.

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

(iv) 2019 Remuneration report

At the 2019 AGM, the Company received a 'First Strike' vote against the Remuneration Report as defined under the Corporations Act 2001. Keen to understand shareholder concerns, the Company has engaged actively with shareholders.

Since the 2019 AGM the Company has undertaken a review of Board & Executive remuneration and has formed the view that the overall level and structure remains appropriate, noting that the Company is managed under an Investment Management Agreement.

The Company's remuneration structures are designed to attract, motivate and retain the best people whilst remunerating them reasonably and competitively. The overriding aim remains to ensure that executive performance outcomes are aligned with building asset value in order to support share price growth for all shareholders over the longer term.

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 option holder has any right under the options to participate in any other share issue of the Company or any other entity.

(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 premiums with respect to a contract 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 insurance contract prohibits disclosure of the liability's nature and the amount of the insurance premium.

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 auditor

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*.

Directors' report

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young Australia) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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:

	30 June 2020 $'000	30 June 2019 $'000
Advisory services		
Capital and debt advisory services	–	110
Total remuneration for advisory services	–	110
Taxation services		
Tax compliance services	57	41
Tax due diligence services	–	54
Total remuneration for taxation services	57	95
Total remuneration for non–audit services	**57**	**205**

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
Adelaide

Auditor's Independence Declaration

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Fax: +61 3 8650 7777
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Auditor's Independence Declaration to the Directors of Beston Global Food Company Limited

As lead auditor for the audit of the financial report of Beston Global Food Company Limited for the financial year ended 30 June 2020, 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
31 August 2020

Financial report

for the year ended 30 June 2020

BESTON
GLOBAL FOOD COMPANY

Beston Global Food Company Limited
ABN 28 603 023 383

Annual financial report

for the year ended 30 June 2020

Financial statements

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 on page 34 and in the directors report on page 40, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on the 31st August 2020. 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 2020

	Notes	**30 Jun 2020 $'000**	30 Jun 2019 $'000
Revenue from continuing operations			
Sale of goods	2	103,028	84,794
Other revenue	2	142	431
		103,170	85,225
Other income	3(a)	5,121	882
Expenses			
Cost of sales of goods		(93,872)	(81,078)
Other expenses from ordinary activities			
Operating overheads		(13,185)	(11,539)
Selling and distribution		(3,186)	(2,398)
Corporate overheads and business support		(12,056)	(11,966)
Loss from operations		(14,008)	(20,874)
Finance income	3(c)	29	358
Finance expenses	3(c)	(1,606)	(1,646)
Net finance income		(1,577)	(1,288)
Impairment of non-financial assets	6(a), (b)	(1,732)	(9,615)
Share of profit/loss from associates		–	(762)
Loss before income tax		(17,317)	(32,539)
Income tax benefit		5,144	5,224
Loss for the period		**(12,173)**	(27,315)
Item that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations	9(b)	(57)	(196)
Items that will not be reclassified to the profit or loss			
Changes in the fair value of equity instruments at FVOCI	9(b)	300	(8,693)
Other comprehensive loss for the period, net of tax		**243**	(8,889)
Total comprehensive loss for the period		**(11,930)**	(36,204)
Loss is attributable to:			
Owners of Beston Global Food Company Limited		(11,579)	(26,975)
Non–controlling interests		(594)	(340)
		(12,173)	**(27,315)**
Total comprehensive loss for the period is attributable to:			
Owners of Beston Global Food Company Limited		(11,336)	(35,864)
Non–controlling interests		(594)	(340)
		(11,930)	**(36,204)**
Loss per share attributable to the ordinary equity holders of the Company			
Basic earnings/(loss) per share	20	(2.55)	(6.08)
Diluted earnings/(loss) per share	20	(2.55)	(6.08)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2020

	Notes	**30 June 2020 $'000**	30 June 2019 $'000
Current assets			
Cash and cash equivalent	5(a)	10,556	1,920
Trade and other receivables	5(b)	13,286	15,740
Inventories	6(d)	12,631	14,192
Assets held for sale	7	38,565	-
		75,038	31,852
Non current assets			
Receivables	5(b)	150	–
Investments	14(c)	–	–
Right–of–use assets	5(c)	311	–
Property, plant and equipment	6(a)	41,762	68,168
Biological assets	6(c)	–	5,303
Deferred tax assets	6(e)	19,453	15,802
Intangible assets	6(b)	8,634	19,437
		70,310	108,710
Total assets		145,348	140,562
Current liabilities			
Trade and other payables	5(d)	13,784	15,689
Borrowings	5(e)	26,221	5,516
Current tax liabilities	4(a)	–	45
Employee beneifit obligations	6(f)	585	428
		40,590	21,678
Non–current liabilities			
Borrowings	5(e)	23,429	35,807
Employee benefit obligations	6(f)	299	179
Deferred tax liabilities	6(e)	1,045	2,785
		24,773	38,771
Total liabilities		65,363	60,449
Net assets		79,985	80,113
Contributed equity	9(a)	159,337	147,535
Other reserves	9(b)	(8,892)	(9,135)
Accumulated losses	9(c)	(69,712)	(58,133)
		80,733	80,267
Non–controlling interests	14(b)	(748)	(154)
Total equity		79,985	80,113

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2020

		Attributable to the owners of Beston Global Food Company Limited					
		Share capital	Other reserves	Accum losses	Total	NCI	Total equity
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		**147,535**	**(237)**	**(26,192)**	**121,106**	**186**	**121,292**
Adjustment on adoption of AASB 9		–	–	(4,966)	(4,966)	–	(4,966)
Restated Balance at 1 July 2018		**147,535**	**(237)**	**(31,158)**	**116,140**	**186**	**116,326**
Profit/(loss) for the period	9(b)	–	(9)	(26,975)	(26,984)	(340)	(27,324)
Other Comprehensive Income		–	(8,889)		(8,889)	–	(8,889)
Total Comprehensive income for the period		–	(8,898)	(26,975)	(35,873)	(340)	(36,213)
As at 30 June 2019		**147,535**	**(9,135)**	**(58,133)**	**80,267**	**(154)**	**80,113**
Balance at 1 July 2019		**147,535**	**(9,135)**	**(58,133)**	**80,267**	**(154)**	**80,113**
Profit/(loss) for the period	9(b)	–	–	(11,579)	(11,579)	(594)	(12,173)
Other Comprehensive Income		–	243	–	243	–	243
Total Comprehensive income for the period		–	243	(11,579)	(11,336)	(594)	(11,930)
Issue of share capital		11,802	–	–	11,802	–	11,802
As at 30 June 2020		**159,337**	**(8,892)**	**(69,712)**	**80,733**	**(748)**	**79,985**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2020

	Notes	30 Jun 2020 $'000	30 Jun 2019 $'000
Cash flows from operating activities			
Receipts from customers		105,618	87,415
Payments to suppliers and employees		(117,763)	(95,275)
Interest received		29	358
Interest paid		(1,590)	(1,612)
Net cash (outflow) from operating activities	10(a)	**(13,706)**	**(9,114)**
Cash flows from investing activities			
Payments for PP&E	6(a)	(5,653)	(12,343)
Payments for intangibles	6(b)	(320)	(429)
Payments for livestock	6(c)	(281)	(880)
Proceeds on disposal of PP&E and intangibles		8,315	-
Proceeds on disposal of livestock		970	605
Net cash inflow/(outflow) from investing activities		**3,031**	**(13,047)**
Cash flows from financing activities			
Proceeds from the issue of shares	9(a)	11,546	–
Proceeds from borrowings	5(e)	12,256	19,847
Repayment of borrowings	5(e)	(4,500)	–
Proceeds from government grants		81	–
Cash inflows from financing activities		**19,383**	**19,847**
Net increase/(decrease in cash and cash equivalents		**8,708**	**(2,314)**
Cash and cash equivalents at the beginning of the period		1,920	4,463
Effects of exchange rate changes on cash and cash equivalents		(72)	(229)
Cash and cash equivalents at the end of period		**10,556**	**1,920**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 Australian Dairy segment which owns farms and production plants and uses milk to produce cheese and other dairy products.
- The Australian Meat segment is focused on production of high quality and innovative meat and related products for expanding domestic and export markets.
- The Australian Other segment includes other Australian domiciled businesses developing technological software for tracking the provenance and authenticity of goods, as well as the production of spring water and related products.
- The International Other segment includes foreign entities providing sales support and customer support for customers of the consolidated entity.
- The Corporate segment provides business support to the operating segments.

(b) Segment results

The segment information for the year ended 30 June 2020 and the year ended 30 June 2019 provided to the executive management committee for the reportable segments are as follows:

2020	Australian Dairy	Australian Meat	Australian Other	International	Corporate	Total
Revenue						
Contracts with customers	90,435	12,379	106	108	–	103,028
Other revenue	47	–	12	–	83	142
Other income	1,723	66	2,571	302	459	5,121
Finance income	4	–	–	–	25	29
Total revenue	**92,209**	**12,445**	**2,689**	**410**	**567**	**108,320**
Expenses						
Cost of Sales	(80,975)	(12,526)	(52)	(319)	–	(93,872)
Other operating costs	(9,838)	(2,667)	(669)	(11)	–	(13,185)
Selling and distribution	(3,021)	(139)	(26)	–	–	(3,186)
Business support	(4,149)	(1,179)	(149)	(337)	(6,242)	(12,056)
Finance costs	–	–	–	–	(1,606)	(1,606)
Impairment expense	–	–	(1,732)	–	–	(1,732)
Share of profit/(loss) from associates	–	–	–	–	–	–
Corporate allocation	(3,062)	(464)	(86)	(17)	3,629	–
Total expenses	**(101,045)**	**(16,975)**	**(2,714)**	**(684)**	**(4,219)**	**(125,637)**
Operating result before tax	**(8,836)**	**(4,530)**	**(25)**	**(274)**	**(3,652)**	**(17,317)**
Attributable to owners of Beston	(8,836)	(4,530)	568	(274)	(3,652)	(16,724)
Attributable to NCI	–	–	(594)	–	–	(594)
Total segment assets; including	93,306	12,374	1,830	(90)	37,927	145,347
Capital expenditure	4,796	1,100	83	–	9	5,989
Total segment liabilities	(52,837)	(5,596)	(520)	51	(6,458)	(65,362)

2019	Australian Dairy	Australian Meat	Australian Other	International	Corporate	Total
Revenue						
Contracts with customers	75,444	6,485	245	2,620	–	84,794
Other revenue	426	–	5	–	–	431
Other income	844	–	–	–	38	882
Finance income	18	–	–	–	340	358
Total revenue	**76,732**	**6,485**	**250**	**2,620**	**378**	**86,465**
Expenses						
Cost of Sales	(70,269)	(6,081)	(238)	(4,490)	–	(81,078)
Other operating costs	(8,291)	(2,237)	(619)	(392)	–	(11,539)
Selling and distribution	(2,126)	(153)	(94)	(25)	–	(2,398)
Business support	(4,276)	(447)	(330)	(489)	(6,424)	(11,966)
Finance costs	–	–	–	–	(1,646)	(1,646)
Impairment expense	–	–	–	–	(9,615)	(9,615)
Share of profit/(loss) from associates	–	–	–	–	(762)	(762)
Corporate allocation	(3,109)	(292)	(30)	(159)	3,590	–
Total expenses	**(88,071)**	**(9,210)**	**(1,311)**	**(5,555)**	**(14,857)**	**(119,004)**
Operating result before tax:	**(11,339)**	**(2,740)**	**(1,061)**	**(2,935)**	**(14,480)**	**(32,539)**
Attributable to owners of Beston	(11,339)	(2,740)	(842)	(2,935)	(14,480)	(32,199)
Attributable to NCI	–	–	(340)	–	–	(340)
Total segment assets; including	93,210	9,431	4,041	5,778	28,102	140,562
Capital expenditure	4,685	2,086	557	–	6,342	13,670
Total segment liabilities	(39,804)	(4,828)	(873)	(2,634)	(12,310)	(60,449)

2 Revenue

The Group derives the following types of revenue:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Sale of goods	103,028	84,794
Other revenue		
Leasing income	142	431
Total revenue	**103,170**	**85,225**

(a) Recognising revenue from major business activities

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

(i) Sale of goods

The Group's contracts with customers for the sale of products include one performance obligation. The Group recognises revenue from sale of products at the point in time when control of the asset is transferred to the customer on delivery of the goods. The normal credit terms are 30 to 60 days.

Some contracts for the sale of products provide customers with volume rebates and trade discounts which give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved. The amount of revenue reflects the consideration to which the Group expects to be entitled to in exchange for those goods.

(ii) Other revenue

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

(b) Disaggregation of revenue from contracts with customers

The Group derives revenue from the sale of goods in the following major geographical regions:

Sale of goods	30 Jun $'000 Dairy	30 Jun $'000 Meat	30 Jun $'000 Other	30 Jun $'000 Total
2020				
Australia	64,318	12,379	106	**76,803**
Asia	24,065	–	108	**24,173**
Europe	1,291	–	–	**1,291**
North America	761	–	–	**761**
Total	**90,435**	**12,379**	**214**	**103,028**
2019				
Australia	71,610	6,485	245	**78,340**
Asia	2,118	–	2,620	**4,738**
Europe	1,601	–	–	**1,601**
North America	115	–	–	**115**
Total	**75,444**	**6,485**	**2,865**	**84,794**

3 Other income and expense items

	Notes	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Other income			
Net gain on disposal of assets		2,445	–
Fair value adjustments to biological assets		1,282	477
Other items		1,074	121
Government grants		320	284
		5,121	**882**
(b) Break down of expenses by nature			
Changes in inventories of finished goods and work		(10,216)	(4,862)
Raw materials and consumables used		90,968	75,115
Employee benefits expense		14,209	13,392
Depreciation and amortisation		2,994	1,869
Impairment of financial assets		–	9,615
Impairment of non-financial assets		1,732	–
Management fee		2,306	2,383
Other expenses		4,112	4,157
Consultancy expenses		2,093	1,580
Occupancy expenses		–	627
Short term & low value lease expense		669	–
Rates and taxes		3,390	3,061
Repairs and maintenance		2,875	2,178
Insurance expenses		2,246	2,318
Logistics and marketing expenses		6,653	5,163
		124,031	**116,596**
(c) Finance income and costs			
Interest income		29	358
Net exchange gains		–	–
Finance income		29	358
Finance charges paid for financial liabilities		(1,590)	(1,612)
Net exchange losses	11(a)	(16)	(34)
Finance costs		(1,606)	(1,646)
Net finance costs		**(1,577)**	**(1,288)**

4 Income tax benefit

(a) Income tax benefit

	Notes	30 June 2020 $'000	30 June 2019 $'000
Current tax			
Current tax		–	45
Total current tax expense		–	45
Deferred income tax			
Increase in deferred tax assets	6(e)	(3,651)	(7,451)
Increase/(decrease) in deferred tax liabilities	6(e)	(1,740)	1,209
Other adjustment		247	875
Total deferred tax benefit		(5,144)	(5,367)
Income tax benefit		(5,144)	(5,322)

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

	30 June 2020 $'000	30 June 2019 $'000
Loss from continuing operations before income tax	(17,317)	(32,539)
Tax at the Australian tax rate of 30.0% (2019 – 30.0%)	(5,195)	(9,762)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of Capital items	–	1,114
Research and development adjustments (net)	–	(93)
Entertainment	6	13
Share of profit/loss from associates	–	229
Tax rate differentials and non–recognition of foreign DTA's	–	965
Derecognition of DTA	257	522
Sundry items	(212)	(80)
AASB 9 adjustment	–	1,770
Income tax benefit	(5,144)	(5,322)

(c) Tax losses

	30 June 2020 $'000	30 June 2019 $'000
Unused tax losses for which no deferred tax asset has been recognised	18,894	9,732
Potential tax benefit @ 30.0%	5,668	2,920

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(e) 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 2020 $'000	30 June 2019 $'000
Cash at bank and in hand	10,556	1,920

(b) Trade and other receivables

	30 June 2020			30 June 2019		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	10,636	–	10,636	13,603	–	13,603
Provision for impairment	(254)	–	(254)	(257)	–	(257)
	10,382	**–**	**10,382**	**13,346**	–	**13,346**
Other receivables	699	150	849	–	–	–
Prepayments	1,365	–	1,365	1,178	–	1,178
Goods and services tax (GST) receivable	840	–	840	1,216	–	1,216
	13,286	**150**	**13,436**	**15,740**	–	**15,740**

(i) Trade and other receivables

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.

(ii) 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.

(iii) 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) Leases

Group as a Lessee

The group entered into a lease contract for the property used for its head office on 30 June 2020. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property $'000	Total $'000
As at 1 July 2019	–	–
Additions	311	311
Depreciation Expense	–	–
As at 30 June 2020	**311**	**311**

The following are the amounts recognised in the profit and loss:

	30 June 2020 $'000	30 June 2019 $'000
Depreciation of right-of-use assets	–	–
Interest expense on lease liabilities	–	–
Short term lease expense (Corporate overheads and business support)	238	234
Low-value-asset lease expense (Corporate overheads and business support)	4	4
	242	238

The Group had total cash outflows for leases of $242,000 in 2020 ($238,000 in 2019), recognised cash inflows relating to right-of-use assets of $285,000 in 2020 (nil in 2019), and had non cash additions to right-of-use assets and lease liabilities of $571,000 in 2020 (nil in 2019).

(d) Trade and other payables

	30 June 2020 $'000	30 June 2019 $'000
Current liabilities		
Trade payables	11,204	10,844
Goods and service tax (GST) payable	-	-
Accrued expenses	1,157	3,328
Government grants	193	432
Payroll liabilities	773	426
Other creditors	457	659
	13,784	**15,689**

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

(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.

(e) Borrowings

	Interest rate %	Maturity	30 June 2020 $'000	30 June 2019 $'000
Current interest-bearing loans and borrowings				
Lease liabilities	9.23%	August 2022	278	–
Hire purchase[1]	3.02%	February 2024	447	–
Hire purchase	11.88%	June 2024	167	–
Hire purchase	3.02%	February 2024	365	249
Insurance Loan	1.93%	July 2020	237	767
Secured lending[1]	BBSY + 2.05%	May 2023	2,333	–
Secured lending[1]	BBSY + 2.00%	September 2020	14,978	–
Secured lending	BBSY + 2.50%	May 2021	3,416	–
Secured lending	BBSY + 2.05%	May 2020	–	4,500
Working capital facility	BBSY + 2.05%	May 2022	4,000	–
Total current interest-bearing loans and borrowings			**26,221**	**5,516**
Non-current interest-bearing loans and borrowings				
Lease liabilities	9.23%	August 2022	293	–
Hire purchase	11.88%	June 2024	419	1,268
Secured lending	BBSY + 2.50%	May 2021	–	3,834
Secured lending	BBSY + 2.00%	September 2020	–	14,625
Working capital facility	BBSY + 2.05%	May 2022	22,717	16,080
Total non-current interest-bearing loans and borrowings			**23,429**	**35,807**
Total interest-bearing loans and borrowings			**49,650**	**41,323**

Note 1: These interest-bearing liabilities are related to the farm assets and were repaid on 31 August 2020 as part of the farm asset sale settlement.

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 2018						
Cost or fair value	21,679	4,257	31,534	321	281	58,072
Accumulated depreciation	–	(438)	(1,128)	(108)	(52)	(1,726)
Net book amount	21,679	3,819	30,406	213	229	56,346
Year ended 30 June 2019						
Opening net book amount	21,679	3,819	30,406	213	229	56,346
Acquisition of subsidiary	6,320	–	918	–	–	7,238
Additions	–	1,366	4,400	38	249	6,053
Assets classified as held for sale and other disposals	–	(7)	(17)	(6)	–	(30)
Depreciation charge	–	(312)	(1,019)	(60)	(48)	(1,439)
Closing net book amount	27,999	4,866	34,688	185	430	68,168
At 30 June 2019						
Cost or fair value	27,999	5,603	36,613	355	530	71,100
Accumulated depreciation	–	(737)	(1,925)	(170)	(100)	(2,932)
Net book amount	27,999	4,866	34,688	185	430	68,168
At 1 July 2019						
Cost or fair value	27,999	5,603	36,613	355	530	71,100
Accumulated depreciation	–	(737)	(1,925)	(170)	(100)	(2,932)
Net book amount	27,999	4,866	34,688	185	430	68,168
Year ended 30 June 2020						
Opening net book amount	27,999	4,866	34,688	185	430	68,168
Additions	–	1,663	3,449	51	490	5,653
Disposals	(292)	(192)	(113)	(40)	–	(637)
Assets classified as held for sale and other disposals	(17,354)	(6,019)	(4,687)	(5)	(252)	(28,317)
Impairment charge	–	–	(813)	(23)	–	(836)
Depreciation charge	–	(241)	(1,877)	(51)	(101)	(2,270)
Closing net book amount	10,353	77	30,647	117	567	41,761
At 30 June 2020						
Cost or fair value	10,353	83	35,080	374	677	46,567
Accumulated depreciation	–	(6)	(4,433)	(257)	(110)	(4,806)
Net book amount	10,353	77	30,647	117	567	41,761

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

Depreciation is calculated using the straight-line method to allocate their cost amount, 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(p) for the other accounting policies relevant to property, plant and equipment.

(b) Intangible assets

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

	Goodwill $'000	Internally generated software $'000	Customer contracts $'000	Lobster quota's $'000	Water licenses $'000	Total $'000
At 1 July 2018						
Cost or fair value	1,847	2,026	1,382	4,949	4,039	14,243
Accumulated amortisation	–	(328)	(606)	–	–	(934)
Net book amount	1,847	1,698	776	4,949	4,039	13,309
Year ended 30 June 2019						
Opening net book amount	1,847	1,698	776	4,949	4,039	13,309
Acquisition of subsidiary	6,312	116	129	–	–	6,557
Amortisation charge	–	(231)	(198)	–	–	(429)
Closing net book amount	8,159	1,583	707	4,949	4,039	19,437
At 30 June 2019						
Cost or fair value	8,159	2,142	1,496	4,949	4,039	20,785
Accumulated amortisation	–	(559)	(789)	–	–	(1,348)
Net book amount	8,159	1,583	707	4,949	4,039	19,437
At 1 July 2019						
Cost or fair value	8,159	2,142	1,496	4,949	4,039	20,785
Accumulated amortisation	–	(559)	(789)	–	–	(1,348)
Net book amount	8,159	1,583	707	4,949	4,039	19,437
Year ended 30 June 2020						
Opening net book amount	8,159	1,583	707	4,949	4,039	19,437
Additions	–	58	262	–	–	320
Disposals	–	–	–	(4,949)	–	(4,949)
Assets classified as held for sale and other disposals	(755)	–	–	–	(3,834)	(4,589)
Impairment charge	–	(896)	–	–	–	(896)
Amortisation charge	–	(246)	(443)	–	–	(689)
Closing net book amount	7,404	499	526	–	205	8,634
At 30 June 2020						
Cost or fair value	7,404	1,304	1,758	–	205	10,671
Accumulated amortisation	–	(805)	(1,232)	–	–	(2,037)
Net book amount	7,404	499	526	–	205	8,634

(i) Amortisation methods and useful lives

The Group amortises IT development and software from the date of first use, using the straight-line method over 3-5 years.

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.

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 Australian Dairy CGU and Australian Meat CGU to which the goodwill relates, goodwill is not impaired. Refer to note 8 for further discussion relating to impairment assessments.

6 Non-financial assets and liabilities (continued)

(c) Biological assets

	30 June 2020 $'000	30 June 2019 $'000
Livestock	–	5,303

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 2020, the Group held a total of 3,639 cattle (2019 – 3,687).

	30 June 2020 $'000	30 June 2019 $'000
Movements:		
Opening balance	5,303	4,880
Increases due to purchases	282	879
Decreases due to livestock sold	(1,209)	(933)
Change in fair value	1,282	477
Reallocation to Assets held for sale	(5,658)	–
Closing balance	–	5,303

(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.

(d) Inventories

	30 June 2020 $'000	30 June 2019 $'000
Current assets		
Raw material and stores	3,004	3,619
Finished goods	9,627	10,573
	12,631	14,192

(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 2020 amounted to $80,751,412 - (2019 - $81,078,253). There were write-downs of inventories during the year of $354,365 (2019 - $1,988,773).

(e) Deferred tax balances

(i) Deferred tax assets

	30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Tax losses and offsets	18,057	13,933
Employee benefits	262	1,070
Accruals	72	144
Tax only assets	260	450
Intangibles	519	–
Other	283	205
Total deferred tax assets	19,453	15,802

Significant estimates

The deferred tax assets include an amount of $18,056,692 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, which reflect improved profitability consistent with the cash flow projections adopted for purposes of impairment testing. The key drivers of those cash flow projections are described in Note 8. The losses can be carried forward indefinitely and have no expiry date.

(ii) Deferred tax liabilities

	30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	995	1,297
Intangible assets	–	1,237
Other	50	251
	1,045	2,785

(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.

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.

(f) Employee benefit obligations

	30 Jun 2020			30 Jun 2019		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations (i)	585	299	884	428	179	607

(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 $585,885 (2019 - $428,074) 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 2020 $'000	30 June 2019 $'000
Current leave obligations expected to be settled after 12 months	192	140

7 Assets held for sale

In November 2019, the Group publicly announced the decision of its Board of Directors to sell the farming assets of Beston Farms Pty Ltd, including the farms, related property, plant and equipment, and biological assets. In June 2020, Beston announced the sale had been completed, subject to the required approval of the Foreign Investment Review Board ("FIRB"). The sale of Beston Farms was completed on 31 August, after receiving FIRB approval on 27 July 2020.

The major classes of assets and liabilities of Beston Farms Pty Ltd classified as held for sale as at 30 June 2020 are, as follows:

	Note	30 June 2020 $'000
Australian Dairy Segment		
Property, plant and equipment	6 (a)	28,317
Intangible assets	6 (b)	4,589
Biological assets	6 (c)	5,658
Assets held for sale		38,565

Assets held for sale are measured at the lower of their carrying value and the fair value less cost to sell. The fair value less cost to sell has been determined based on the executed agreement.

8 Impairment

(a) Management analysis

The Group performed its annual impairment test in June 2019 and 2020. The Group considered the relationship between its market capitalisation and book value, among other factors, when reviewing for indicators of impairment. At 30 June 2020, 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 water licenses, are related to the Australian Dairy and Australian Meat 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 2.5% were used across all CGUs.

(i) Australian Dairy CGU

The recoverable amount of the Australian Dairy CGU, $130.0 million as at 30 June 2020, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts covering a five year period, with input from an independent valuation specialist, and approved by senior management. The impacts of COVID-19 on future cash flows was considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Dairy CGU is $1,847,067, and the carrying value of indefinite life intangible assets allocated to the Australian Dairy CGU is $233,864.

Key drivers which impact the recoverable amount of the Australian 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, primarily mozzarella, cream, whey powder, and lactoferrin.

Management have determined 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.

(ii) Australian Meat CGU

The recoverable amount of the Australian Meat CGU, $18.0 million as at 30 June 2020, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts covering a five year period, with input from an independent valuation specialist, and approved by senior management. The impacts of COVID-19 on future cash flows was considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Meat CGU is $6,313,242, and the carrying value of indefinite life intangible assets allocated to the Australian Meat CGU is $nil.

Key drivers which impact the recoverable amount of the Australian Meat CGU include:

- Real sales growth;
- Gross margin; and
- Inflation.

Management have determined 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 Australian Meat CGU. As a result of this analysis management did not identify impairment for this CGU.

(b) Key assumptions – Dairy

The calculation of fair value of the Australian 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 yields achieved through the production process.

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 14.1% and the cash flows beyond the five-year period are extrapolated using a 2.5% 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 15.6% (i.e. +1.5%) in the Dairy CGU would result is a decrease in the recoverable amount of $16.6 million. This decrease would not result in impairment.

(ii) 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 $51.4 million. This decrease would not result in impairment.

(iii) 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 $15.0 million. This decrease would not result in impairment.

(iv) Production yields

A decrease of the production yields by 2.5% in the Dairy CGU would result is a decrease in the recoverable amount of $17.3 million. This decrease would not result in impairment.

(c) Key assumptions – Australian Meat

The calculation of fair value of the Australian Meat segment is most sensitive to the following assumptions:

- Discount rates;
- Real sales growth; and
- Gross margin.

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 14.1% and the cash flows beyond the five-year period are extrapolated using a 2.5% 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 15.6% (i.e. +1.5%) in the Australian Meat CGU would result is a decrease in the recoverable amount of $2.1 million. This decrease would result in impairment of $0.6 million.

(ii) Gross margin

A decrease of the gross margin by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $0.8 million. This decrease would not result in an impairment.

(iii) Real sales growth

A decrease in the real growth rate achieved by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $0.8 million. This decrease would not result in impairment.

(d) Other impairment

Non-financial assets were impaired in the Australian Other CGU relating to property plant and equipment ($0.8m) and intangible assets ($0.8m). This impairment was realised after events indicated that the carrying amount exceeded its recoverable amount. Refer to note 6(a) and 6(b) respectively for further detail.

9 Equity

(a) Contributed equity

	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $'000	30 June 2019 $'000
Ordinary shares - fully paid	588,842,084	443,315,877	159,081	147,535

(i) Movements in ordinary share capital

	Number of shares	$'000
Opening balance 1 July 2018	443,315,877	147,534,938
Balance 30 June 2019	**443,315,877**	**147,534,938**
Opening balance 1 July 2019	443,315,877	147,534,938
Placement of shares	27,761,492	2,387,488
Placement of shares	117,764,715	10,010,001
Capitalised transaction costs	–	(595,690)
Balance 30 June 2020	**588,842,084**	**159,336,738**

(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.

9 Equity (continued)

(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 2020 $'000	30 June 2019 $'000
Financial assets and liabilities at FVOCI	(8,393)	(8,693)
Share based payments	–	–
Foreign currency translation	(499)	(442)
	(8,892)	**(9,135)**
Financial assets and liabilities at FVOCI		
Opening balance	(8,693)	–
Revaluation – gross	–	(8,693)
Disposal of financial assets	300	–
Balance 30 June	**(8,393)**	**(8,693)**
Share–based payments		
Opening balance	–	9
Option expense	–	(9)
Balance 30 June	–	–
Foreign currency translation		
Opening balance	(442)	(246)
Currency translation differences arising during the year	(57)	(196)
Balance 30 June	**(499)**	**(442)**

(i) Nature and purpose of other reserves

Financial assets at FVOCI

The financial assets at FVOCI reserve is used to revalue financial assets (equity instruments, as per elected upon adoption of AASB 9 *Financial Instruments*) through other comprehensive income. Gains and losses on these financial assets are never recycled to the profit and loss.

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:

	30 June 2020 $'000	30 June 2019 $'000
Opening balance	(58,133)	(26,192)
Adjustment on adoption of AASB 9	–	(4,966)
Restated opening balance at the beginning of the financial year	(58,133)	(31,158)
Net loss for the period attributable to equity holders of the parent	(11,579)	(26,975)
Balance 30 June	(69,712)	(58,133)

10 Cash flow information

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

	Notes	30 Jun 2020 $'000	30 Jun 2019 $'000
Profit/(loss) after tax		**(12,173)**	**(27,315)**
Non–cash adjustments:			
Depreciation & amortisation expense	3(c)	2,994	1,869
Impairment of financial asset		–	9,615
Impairment of non–financial assets		1,732	–
Bad debts written off		406	233
Fair value adjustment to biological assets		(1,282)	(477)
Share of loss from associates		–	762
Foreign exchange loss		16	34
Inventory write–off		354	1,989
Adjustment to Lease Liability		260	
Grant income		(320)	(284)
Non–operating activities:			
Gain on disposal of fixed assets & equity		(2,445)	–
Loss on disposal of livestock		241	328
Change in:			
Decrease in trade and other receivables		1,897	2,351
Decrease in inventories		1,207	7,238
Increase in deferred tax assets		(3,651)	(6,530)
Decrease in trade payables		(1,780)	(370)
Increase/(decrease) in deferred tax liabilities		(1,741)	1,210
Increase in other provisions		579	233
Net cash outflow from operating activities		**(13,706)**	**(9,114)**

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 dollars, was as follows:

	30 June 2020			30 June 2019		
	USD $'000	CNY $'000	THB $'000	USD $'000	CNY $'000	THB $'000
Trade receivables	247	209	–	–	207	827
Trade payables	–	(1)	(3)	–	(11)	(11)

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 2020 $'000	30 June 2019 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	(16)	34
Total net foreign exchange gains/(losses) recognised in profit before income tax for the period	(16)	34

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	30 June 2020 $'000	30 June 2019 $'000
THB/AUD exchange rate - increase 10%	–	(42)
THB/AUD exchange rate - decrease 10%	–	52
CNY/AUD exchange rate - increase 10%	(16)	(42)
CNY/AUD exchange rate - decrease 10%	20	(8)
USD/AUD exchange rate - increase 10%	(22)	–
USD/AUD exchange rate - decrease 10%	27	–

(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 2020 $'000	30 June 2019 $'000
Cash and cash equivalents	10,556	1,920
Borrowings	(47,681)	(41,323)
	(37,125)	**(39,403)**

Sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2020, 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	
	2020 $'000	2019 $'000
Interest rates - increase by 50 basis points	(195)	(141)
Interest rates - decrease by 50 basis points	195	141

(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.

11 Financial risk management (continued)

(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.

(ii) Trade receivables

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. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date based on the expected credit loss. The provision amounts are based on the expected recoverability risk for past due debtors. The provision reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

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 22(n) 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 2020 $'000	**30 June 2019 $'000**
At 1 July	257	23
Provision for impairment recognised during the year	406	–
Receivables written off during the year as uncollectible	(409)	234
At 30 June	254	257

(iii) Past due but not impaired

As at 30 June 2020, trade receivables of $2,490,417 (2019 - $5,081,949) 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 2020 $'000	**30 June 2019 $'000**
Up to 3 months	2,255	4,364
3 to 6 months	204	339
6 to 9 months	31	379
At 30 June	2,490	5,082

(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 4 years.

(i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
At 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives						
Trade and other payables	3,636	10,042	106	–	–	**13,784**
Borrowings (excluding finance leases)	–	–	3,653	38,426	–	**42,079**
Lease liabilities	–	70	209	298	–	**577**
Total non-derivatives	3,636	10,112	3,968	38,724	–	**56,440**
At 30 June 2019						
Non-derivatives						
Trade and other payables	15,114	181	551	–	–	**15,846**
Borrowings (excluding finance leases)	–	–	5,267	34,539	–	**39,806**
Lease liabilities	–	34	102	1,268	–	**1,404**
Total non-derivatives	15,114	215	5,920	35,807	–	**57,056**

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 2020 (2019: $nil).

13 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2020 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		Ownership interest held by NCI		Principal activities
		2020 %	2019 %	2020 %	2019 %	
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 Food (Shanghai) Co. Limited	China	100.0	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
Provincial Food Group Pty Ltd	Australia	100.0	100.0	–	–	Protein processing

13 Interests in other entities (continued)

(b) Non-controlling interests (NCI)

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.'

	30 June 2020 $'000	30 June 2019 $'000
Interest in: Share capital	(748)	(154)
AQUAessence Pty Ltd - Summarised balance sheet		
Current assets	152	148
Current liabilities	468	730
Current net assets	**(316)**	**(582)**
Non-current assets	1,336	2,351
Non-current liabilities	4	-
Non-current net assets	**1,332**	**2,351**
Net assets	1,016	1,769
Accumulated NCI	154	(186)
AQUAessence Pty Ltd - Summarised statement of comprehensive income		
Revenue	118	188
Profit/(loss) for the period	(1,212)	(694)
Total comprehensive income	**(1,212)**	**(694)**
Profit/(loss) allocated to NCI	(594)	(340)
AQUAessence Pty Ltd - Summarised statement of cash flows		
Cash flows from operating activities	50	346
Cash flows from investing activities	-	(297)
Cash flows from financing activities	14	(123)
Net increases/(decreases) in cash and cash equivalent	64	(74)

(c) Investments

Name of entity	Country of incorporation and operation	% of ownership interest 2020 %	% of ownership interest 2019 %	Measurement method	Carrying amount 2020 $'000	Carrying amount 2019 $'000
Ferguson Australia Pty Ltd	Australia	–	32	FVOCI	–	–
Neptune Bio-Innovations Pty Ltd1	Australia	10	10	FVOCI	–	–
Total investments					–	–

(1) The Group received updated financial forecast from Neptune Bio-Innovations Pty Ltd (NBI) at 30 June 2020. Analysis of this information has led the Group to continue to assess the fair value of the convertible notes and equity investments as nil. The above entity is a private company with no quoted price available.

14 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2020 (2019 – nil).

15 Commitments

At 30 June 2020, the Group had commitments of $115,576,139 relating to milk supply purchases from farmers. These milk purchase commitments have terms of between 1 and 3 years.

At 30 June 2020, the Group had nil commitments relating to equipment capital expenditure. Subsequent to the balance date, during July 2020, Beston entered into an agreement to begin expansion of its lactoferrin plant at Jervois. This agreement constitutes a capital expenditure commitment of $12.2 million, and the expansion is expected to be completed early in 2021.

16 Events occurring after the reporting period

On 22 July 2020, Beston Global Food Company Limited announced the launch of a Share Purchase Plan offer (SPP). The SPP opened on 29 June 2020 and was closed on 24 July 2020. $1.16 million was raised and approximately 13.7 million new shares were issued at 8.5 cents in accordance with the terms and conditions of the SPP.

On 31 August 2020, the Group received proceeds due from the sale of its dairy farm assets. The sale of the dairy farm assets for $40.4 million was announced on 11 June 2020, with the final proceeds to be received subject to normal settlement day adjustments.

Other than the SPP and sale of the dairy farm assets noted above, and what has already been disclosed in the financial report, no matter of circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Whilst the Group has not seen a further material direct impact on our business since year end as a result of the COVID-19 pandemic, the outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain. As at the date of this report however they are not presently having an unexpected impact on our earnings, cash flow and financial position.

17 Related party transactions

(a) Subsidiaries

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

(b) Key management personnel compensation

	30 June 2020 $'000	30 June 2019 $'000
Short term employee benefits	260	260
Post-employment benefits	25	25
	285	285

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2020 $'000	30 June 2019 $'000
Sales of goods and services		
Sale of goods to investee entities	177	722
Management fees from investees companies	–	–
Remuneration paid for directors services	(5)	33
Interest income from investee companies	200	339
Purchases of goods and services		
Purchases of various goods and services from related parties	(452)	(14)
Management fee for Directors interests via the investment manager	(2,306)	(2,383)
Re-imbursement to investment manager for costs related to the capital raise	–	–
Re-imbursement of costs associated with business formation (ex GST)	–	–

17 Related party transactions (contiued)

(c) Transactions with other related parties (continued)

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

(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 2020 $'000	30 June 2019 $'000
Outstanding balances receivable/(payable)		
Current receivables	101	430
Current payables	(532)	(303)

(e) Loans to/from related parties

	30 June 2020 $'000	30 June 2019 $'000
Loans to other related parties		
Beginning of year	33	33
End of year	33	33

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 Beston. 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 2019	30 June 2020	Performance
Beston Global Food Company Limited	$0.12	$0.085	-29.17%
ASX All Ordinaries Accumulation Index	$69,660.23	$64,331.67	-7.64%

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	$50,051,577.14
B. Outperformance factor (BFC TSR% - ASX:XAOAI TSR%)	-21.53%
C. Agreed performance fee %	17.50%
Total performance fee for the 12 months to 30 June 2020: **A x B x C**	$0.00

(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.

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.

18 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:

	30 June 2020 $'000	30 June 2019 $'000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	285	287
Fees for assurance services that are required by legislation to be provided by the auditor	–	–
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	–	–
Fees for other services:		
Tax compliance services	57	41
Tax due diligence services	–	54
Capital and debt advisory services	–	110
Total fees to Ernst & Young (Australia) [A]	342	492
Fees to other overseas member firms of Ernst & Young (Australia) [B]	–	–
Total auditor remuneration [A] + [B]	342	492

19 Earnings per share

(a) Basic earnings/(loss) per share

	30 June 2020 Cents	30 June 2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(2.55)	(6.08)
From discontinued operations	–	–
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(2.55)	(6.08)

(b) Diluted earnings/(loss) per share

	30 June 2020 Cents	30 June 2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(2.55)	(6.08)
From discontinued operations	–	–
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(2.55)	(6.08)

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

	30 June 2020 $'000	30 June 2019 $'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	(11,579)	(26,975)
From discontinued operations	–	–
	(11,579)	(26,975)
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	(11,579)	(26,975)
Used in calculating diluted earnings/(loss) per share	(11,579)	(26,975)

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

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	454,590,999	443,315,867

20 Parent entity financial information

(a) Summary financial information

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

	30 June 2020 $'000	30 June 2019 $'000
ASSETS		
Current assets	13,978	12,418
Non-current assets	73,710	79,821
Total assets	87,688	92,239
LIABILITIES		
Current liabilities	1,945	(2,065)
Non-current liabilities	6,151	14,191
Total liabilities	8,096	12,126
Net assets	79,592	80,113
EQUITY		
Issued capital	159,081	147,535
Reserves	(8,393)	(8,684)
Accumulated losses	(71,096)	(58,738)
Total equity	79,592	80,113
Profit/(loss) for the period	(12,358)	(8,489)
Total comprehensive income/(loss)	(12,358)	(17,182)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

21 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, for the first time, certain standards and amendments which are effective for the first time in their annual reporting period commencing 1 July 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

AASB 16 *Leases*

AASB 16 supersedes AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the transition date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting AASB 16 as at 1 July 2019 is, as follows:

Operating Lease commitments as at 30 June 2019	$306,809
Weighted average incremental borrowing rate as at 1 July 2019	5.13%
Discounted operating lease commitments at 1 July 2019	$305,981
Less:	
Commitments relating to short-term leases	$292,369
Commitments relating to leases of low-value assets	$13,612
Lease liabilities as at July 1 2019	–

For further details relating to the new accounting policy of the Group upon adoption of AASB 16, which have been applied from the date of initial application, refer to note 22(h).

(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 2020. 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.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's has assessed that none of these are relevant to the Group.

Standards not yet effective

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 2019-1 *Amendments to AASs – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to AASs – Interest Rate Benchmark Reform*
- AASB 2018-6 *Amendments to AASs – Definition of a Business*
- AASB 2018-7 *Amendments to AASs – Definition of Material*
- AASB 2019-5 *Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2019-1 *Amendments to AASs – References to the Conceptual Framework*
- AASB 2019-2 *Amendments to AASs – Implementation of AASB 1059*
- AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*

21 Summary of significant accounting policies (continued)

(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 2020 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)].

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.

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of dairy and meat products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. rebates, case deals). In determining the transaction price for the sale of fire prevention and electronics equipment, the Group considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

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.

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 Group'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 Group 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.

21 Summary of significant accounting policies (continued)

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

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and IFRIC 4.

- *Group as a lessee*
  The Group applies a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
- *Right-of use assets*
  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
- *Lease liabilities*
  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
- *Short-term leases and leases of low-value assets*
  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $10,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy applicable before 1 July 2019

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.

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. 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.

(j) Impairment of non-financial 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 the transaction price as determined under AASB 15, 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 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 and measurement

With the exception of trade receivables, the Group initially 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables are measured at the transaction price determined under AASB 15.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI (for a debt instrument), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the Consolidated balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss. This includes convertible notes within the Trade and other receivables balance and certain investments within Investments in the Consolidated balance sheet.

21 Summary of significant accounting policies (continued)

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and other receivables within the Trade and other receivables balance in the Consolidated balance sheet.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(ii) Recognition and derecognition

The Group initially recognises a financial asset when it becomes party to the contractual provisions of the instrument. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

(iii) Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 5(b).

(o) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, and loans and borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(p) Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(q) 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 and impairment. 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.

(r) 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.

21 Summary of significant accounting policies (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(b) for details about amortisation methods and periods used by the Group for intangible assets.

(s) 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.

(t) 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). 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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.

(z) Parent entity financial information

The financial information for the parent entity, Beston Global Food Company Limited, disclosed in note 20 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.

Directors' declaration

Directors' declaration

In the Directors' opinion:

(a) The financial statements and notes to the financial statements are set out in pages 52 to 87 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 24(a)(ii), and
- **(iii)** giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 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 2020.

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

R N Sexton
Director
Adelaide

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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

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 2020, 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, 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 2020 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 Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. 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.

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Impairment of non-current assets including goodwill and other intangibles

Why significant	How our audit addressed the key audit matter
The carrying value of property, plant and equipment ("PPE") of $41.8 million and goodwill and other intangible assets of $8.6 million as disclosed in Note 6 represent 34% of the total assets of the Group. As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that PPE may be impaired. In addition, goodwill and indefinite life intangibles are tested for impairment at least annually. The impairment testing of non-current assets, including goodwill and intangibles was considered a key audit matter due to the significance of these balances and the complex judgements in the impairment assessment process such as forecast revenue growth, product sales prices, margins and milk supply volume and prices that are affected by future market or economic conditions, including the ongoing uncertainty associated with the impacts of COVID-19. The Directors obtained an independent valuation of the Group's cash generating units ("CGUs") subject to impairment testing, based on their fair value less costs to sell as disclosed in Note 8. The Group's disclosures are included in Note 8, which specifically explain the key operating assumptions used and sensitivity of changes in the key assumptions which could give rise to an impairment loss in the future.	Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards, including the Group's identification of its CGUs and the allocation of goodwill to those CGUs. In conjunction with our valuation specialists, we performed the following procedures: ► In respect of the independent valuation we: - Evaluated the competence, capabilities and objectivity of the external valuation expert. - Assessed the valuation methodology used against generally accepted valuation practices. - Assessed the discount rates applied by the expert through comparing the cost of capital for the Group with comparable businesses. - Assessed the results of the expert's comparative industry valuation multiples analysis and analysis of other market evidence used as valuation cross-checks. ► In respect of the cash flow forecasts provided to the independent valuer by the Group we: - Assessed key assumptions such as forecast revenue growth, product sales prices, margins and milk supply volume and prices in comparison to external independent data, where relevant. - Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy. - Assessed whether the forecast cash flows, used in the impairment testing model, were consistent with the most recent Board approved cash flow forecasts and contemplated existing and emerging effects of COVID-19. - Assessed the adequacy of capital expenditure forecasts. - Tested the mathematical accuracy of the discounted cash flow model. We performed sensitivity analysis in respect of the assumptions noted above, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for there to be an impairment. We assessed the likelihood of these changes in assumptions arising. We considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 8.

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Deferred tax asset relating to losses

Why significant	How our audit addressed the key audit matter
The Group's deferred tax balances are subject to complexity and estimation risk around the utilisation of tax losses. The Group's net deferred tax asset of $18.0 million as at 30 June 2020 includes $18.5 million relating to carry forward tax losses and offsets, the recoverability of which is subject to the generation of future taxable profits. The recoverability of the deferred tax assets was a key audit matter due to the significance of the balances and the judgements involved in determining forecast profitability. The Group's disclosures are included in Note 6(e) of the financial report.	Our audit procedures included an assessment of the Group's forecasts of future taxable income by: - Comparing the cash flows for consistency with the cash flows utilised in the Group's impairment testing. - Considering the ability of the Group to utilise the losses in accordance with regulatory restrictions; and - Verifying and testing the mathematical accuracy of the Group's calculations to derive current and deferred taxes. We also assessed the adequacy of the Group's disclosures with regards to the closing tax balances recorded at year end.

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 2020 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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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 judgment 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.

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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, actions taken to eliminate threats or safeguards applied.

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 43 to 47 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Beston Global Food Company Limited for the year ended **30 June 2020**, 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
31 August 2020

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 6 October 2020.

Ordinary Share Capital

602,514,0754 fully paid Ordinary Shares are held by 2,984 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:

Range	Securities	%	Number of holders	%
100,001 and Over	380726043	86	306.00	9
10,001 to 100,000	56309019	13	1504.00	51
5,001 to 10,000	4582578	1	550.00	18
1,001 to 5,000	1669698	0	520.00	18
1 to 1,000	28529	0	137.00	4
Total	443315867	100	3017.00	100
Unmarketable Parcels	1114586	0	540.00	18

Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)	Number of Shares Held	%
Kunteng Pte Ltd	64,051,111	14.99%
Australia Aulong Auniu Wang Food Holdings Pty Ltd	66,894,345	14.90%
Allianz SE	55,469,040	9.21%
Wilson Asset management Group	31,146,114	5.17%

Twenty largest holders of Quoted Equity Securities

Rank	Name	Number of Shares Held	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	66,996,408	11.12
2	KUNTENG PTE LTD	64,051,111	10.63
3	AUSTRALIA AULONG AUNIU WANG FOOD HOLDINGS PTY LTD	54,449,834	9.04
4	BNP PARIBAS NOMINEES PTY LTD	42,934,000	7.13
5	BNP PARIBAS NOMS PTY LTD	22,768,757	3.78
6	HISHENK PTY LTD	18,319,118	3.04
7	BLUE RIDGE HOLDINGS PTY LTD	17,313,683	2.87
8	FIRST BOOM INVESTMENTS LIMITED	11,428,572	1.90
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,674,236	1.77
10	FIRST BOOM INVESTMENTS LIMITED	8,333,334	1.38
11	CS THIRD NOMINEES PTY LIMITED	7,922,351	1.31
12	WILLOUGHBY CAPITAL PTY LTD	7,327,941	1.22
13	WASHINGTON H SOUL PATTINSON & COMPANY	6,229,646	1.03
14	EDM TRANSPORT PTY LTD	4,500,000	0.75
15	UBS NOMINEES PTY LTD	4,411,765	0.73
16	MNA FAMILY HOLDINGS PTY LTD	4,352,941	0.72
17	BEARAY PTY LIMITED	3,529,412	0.59
18	MUHLBAUER INVESTMENTS PTY LTD	3,000,000	0.50
19	S GERLACH PTY LIMITED	2,816,385	0.47
20	CITICORP NOMINEES PTY LIMITED	2,797,118	0.46
	Total	**364,156,612**	**60.44**
	Balance of register	**238,357,462**	**39.56**
	Grand total	**602,514,074**	**100.00**

Corporate directory

BESTON GLOBAL FOOD COMPANY LIMITED
ACN 603 023 383

Annual Report for the period ended 30 June 2020

INCORPORATION
Incorporated in Australia on 24 November 2014

DIRECTORS

Roger Sexton	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

Jonathan Hicks

COMPANY SECRETARY

Richard Willson

REGISTERED OFFICE

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SHARE REGISTER

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

LEGAL ADVISORS

Minter Ellison

AUDITORS

Ernst & Young Australia

BESTON
GLOBAL FOOD COMPANY

bestonglobalfoods.com.au