



Beston Global Food Company Limited

ABN 28 603 023 383

Appendix 4E Preliminary Financial report for the year ended 30 June 2018

Provided to the ASX under listing rule 4.3A

Beston Global Food Company Limited

Appendix 4E

Preliminary Financial Report

Year ended 30 June 2018

Name of entity
Beston Global Food Company Limited

ABN or equivalent company
reference

ABN 28 603 023 383

Year ended

30 June 2018
(Previous corresponding period: 30
June 2017)

Results for announcement to the market

				\$'000
Revenue for ordinary activities	Up	97%	to	48,259
Net profit after tax (from ordinary activities) for the period attributable to members	Down	63%	to	(12,594)

The commentary on the consolidated results and outlook, including the change in state of affairs and likely developments of the Group, are set out in the Review of Operations section of the Financial Report.

Unaudited Results

The Consolidated Financial Statements upon which this Appendix 4E is based are in the process of being audited. Beston Global Food Company Limited will release its full audited Financial Report by 30 September 2018.

Beston Global Food Company Limited

ABN 28 603 023 383

Preliminary Financial report- 30 June 2018

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Review of operations and activities

1 Executive Summary

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

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

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

Dairy

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

Meat

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

Review of operations and activities

1 Executive Summary (continued)

Seafood

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

Health and Nutrition

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

Review of operations and activities

2 Financial Results

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

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

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

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

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

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

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

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

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

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

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

Review of operations and activities

2 Financial Results (continued)

China

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

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

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

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

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

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

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

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

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

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

Review of operations and activities

2 Financial Results (continued)

Other Items

The financial result for the FY18 was also impacted by:

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

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

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

Review of operations and activities

3 Operations

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

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

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

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

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

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

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

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

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

To do this, we have focussed our efforts on:

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

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

Dairy Division

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

Review of operations and activities

3 Operations (continued)

Dairy Division (continued)

- New capabilities in Mozzarella, Hard Cheese and Cream Cheese has shifted BFC's capacity into higher margin products and increased production of cream and whey powder which are in strong demand.
- Extended our Dairy Brand "Edwards Crossing" into adult snacking segment through the launch of "Fancy Bites" into Woolworths nationally.
- Further Brand recognition achieved being awarded Australia's Best Colby in 2018 to add to being awarded Australia's Best Cheddar in 2017. Total medals now 46 in three years.
- Increased the productivity of the BFC owned dairy farms portfolio with the expansion of our herd over the FY18 period to around 3,000 herd.
- Milk supply has increased to approximately 120 million litres at the start of the FY19 year, which is up 33% from the previous year and in line with expectations. The increase in volume of milk supply underpins our production and sales plan for the dairy factories for FY19.
- Implemented a market leading milk management system MADCAP platform to improve the operating efficiencies and communications with our farmers as supply increases.

Meat Division

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

Seafood Division

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

Health and Nutrition Division

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

Review of operations and activities

3 Operations (continued)

Health and Nutrition Division

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

Technology

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

Overview

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

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

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

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

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

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

- Increasing sales revenues from virtually zero at the time of the listing to \$23 million in FY17 and \$48 million in FY18.
- Taking two substantial dairy factories out of receivership, rebuilding the assets, restoring the export accreditation, and bringing them back into commercial production.
- Acquiring and installing a state-of-the-art Mozzarella plant at Jervois, and restoring the cream and butter plant.
- Building 8 new brands and developing over 50 new and different product offerings: "Edwards Crossing", "Beston Pure", "Kyubu", "Fancy Bites", "Mables", "Grange Peak", "Eight" water and "Yarra Valley" meats.
- Being awarded 46 Gold, Silver and Bronze medals and numerous high-profile industry awards for our cheese products within a space of three years.
- Developing OZIRIS/Brandlok traceability and anti-counterfeiting technology with eleven International Patents or Patents pending.

Review of operations and activities

3 Operations (continued)

Overview (continued)

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

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

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

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

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

Review of operations and activities

4 The Path Forward

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

- **Infrastructure built**
We have successfully completed the infrastructure build-out that we foreshadowed at the outset would take 2 to 3 years. We have done so without the sales revenue (and profit) support promised by one of our IPO cornerstone investors. The hard work has been done and management is now building on the foundations put in place.
- **Financial performance on the uplift**
Having completed the infrastructure build-out in its Dairy Division and having commissioned the new Mozzarella plant, the Company has returned to profitable trading and is cash flow positive.

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

The result is that the Company has turned the corner and is looking at a stronger financial performance in the year ahead. The company has traded profitably in the period from July 2018 to date.

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

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

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

- **Brands now well established**
Over the past three years, BFC has built eight new brands and over 50 different product offerings. The cost of developing these brands is reflected in the Company’s P&L statements and is not recognised in the balance sheet. BFC’s cheese products have won 46 Gold, Silver and Bronze medals over this same period in Australian and international dairy competitions. The Company’s cheese brands are now well established in the domestic retail and wholesale markets and attracting increasing interest from the major companies operating in these markets.

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

Review of operations and activities

4 The Path Forward (continued)

- **Proven capability and agility in the development of new products**
BFC has shown that it is able to respond to changing market conditions and customer needs very quickly. We have done so, for example, in developing a flavoured cheese product for the Asia market "Kyubu", creating an adult snacking product "Fancy Bites" specifically for this fastest growing segment of the dairy market and developing specialty health focussed cheeses for the rapidly growing Mexican food chain, Guzman y Gomez. BFC has demonstrated that it can be nimble in responding to customer needs and think outside the boundaries of our existing (traditional) markets. This is a competitive advantage which our sales team is utilising to win new customers and markets.
- **Well positioned in Australia's growing food industry**
BFC is the largest company in the Australian dairy industry outside of the multinationals and the 7th largest in Australia. Significant recent acquisitions of dairy companies and assets in Australia, at high price-earnings multiples, have recognised the increasing value proposition of the Australian dairy industry. Acquisition of the next ten dairy companies, in size, in Australia would provide less than half of BFC's production capacity and, based on the price-earnings multiples paid in recent transactions, cost more than twice the market capitalisation of BFC. In addition, BFC has investments in the meat, seafood and health and nutrition industries in Australia.
- **Point of difference in food manufacture**
BFC was established with a specific objective of taking healthy, nutritious, premium quality and verifiably safe food and beverage products to the growing consumer markets of the world. Our positioning in the market place with low salt and low fat cheese and meat products which are free of artificial colourings, additives, accelerants or preservatives, has created a point of difference which is increasingly being recognised and appreciated by more health conscious consumers. Consumers are looking for more natural foods that are free from unnatural additives and that come from trusted sources. This point of difference sets us apart from much of the dietary homogenisation in food products produced by the large multi-national food companies.
- **Poised to switch on Dairy Protein Extraction plant**
When BFC acquired our Jervois dairy factory, we also separately acquired the adjoining Dairy Protein Extraction Plant. Until the Mozzarella plant was installed and commissioned, we did not have sufficient whey liquid to provide the feedstock to operate this plant.

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

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

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

Review of operations and activities

4 The Path Forward (continued)

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

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

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

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

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

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

Review of operations and activities

4 The Path Forward (continued)

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

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

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

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

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

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

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

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

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

Review of operations and activities

4 The Path Forward (continued)

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

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

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

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

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

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

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

Ferguson Australia

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

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

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

Review of operations and activities

4 The Path Forward (continued)

Neptune Bio Innovations

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

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

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

5 Conclusion

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

Beston Global Food Company Limited

ABN 28 603 023 383

Preliminary annual financial report - 30 June 2018

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

The financial statements are presented in the Australian currency.

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

Its registered office is:

Beston Global Food Company Limited
Level 9, 420 King William Street
Adelaide South Australia 5000

Its principal place of business is:

Beston Global Food Company Limited
Level 9, 420 King William Street
Adelaide South Australia 5000

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

Unaudited Results

The financial statements are in the process of being audited. Beston Global Foods Company Limited will release its full audited Financial Report by 30 September 2018.

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

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

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

		Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	19	(2.84)	(1.82)
Diluted earnings per share	19	(2.84)	(1.82)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	19	(2.84)	(1.82)
Diluted earnings per share	19	(2.84)	(1.82)

Consolidated balance sheet
As at 30 June 2018
Preliminary

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

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

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

Consolidated statement of cash flows
For the year ended 30 June 2018
Preliminary

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

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

Contents of the notes to the preliminary consolidated financial statements

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1 Segment information

(a) Description of segments

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

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

The executive management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

(2) Segment results

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

2018	Dairy \$'000	Seafood \$'000	Health \$'000	Meat \$'000	Adjustments Total segments \$'000	and eliminations \$'000	Total \$'000
Revenue							
External customers	44,292	295	843	399	45,829	2,048	47,877
Other revenue	382	436	100	-	918	2,260	3,178
Finance income	33	-	61	485	579	431	1,010
Share of profit/(loss) from associates	-	(22)	-	-	(22)	-	(22)
Total revenue	44,707	709	1,004	884	47,304	4,739	52,043
Expenses							
Cost of sales	(26,639)	(293)	(1,032)	(342)	(28,306)	(4,351)	(32,657)
Operating overheads	(16,438)	-	-	-	(16,438)	(3,922)	(20,360)
Selling and distribution	(3,285)	-	(86)	-	(3,371)	(1,656)	(5,027)
Other expenses	(141)	-	(129)	-	(270)	(1,549)	(1,819)
Corporate overheads and business support	(1,218)	(1)	(516)	-	(1,735)	(6,913)	(8,648)
Finance costs	-	-	(62)	-	(62)	2	(60)
Total expenses	(47,721)	(294)	(1,825)	(342)	(50,182)	(18,389)	(68,571)
Operating profit/(loss)	(3,014)	415	(821)	542	(2,878)	(13,650)	(16,528)
Segment profit/(loss)	(3,014)	415	(821)	542	(2,878)	(13,650)	(16,528)
Total segment assets	131,624	10,609	14,733	2,831	159,797	(1,103)	158,694
Total assets includes:							
Including: Capital expenditure	13,540	-	78	-	13,618	54	13,672
Total segment liabilities	(31,396)	(8)	(1,039)	-	(32,443)	(4,949)	(37,392)

1 Segment information

(2) Segment results (continued)

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

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

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

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

2 Revenue

The Group derives the following types of revenue:

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

(a) Recognising revenue from major business activities

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

(i) *Sale of goods*

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

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

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

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

(ii) *Revenue from services*

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

(iii) *Other revenue*

See note 21(e) for the recognition and measurement of other revenue.

3 Other income and expense items

(a) Other income

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

(b) Break down of expenses by nature

		30 June 2018 \$'000	30 June 2017 \$'000
	Notes		
Changes in inventories of finished goods and work in progress		(3,764)	(1,191)
Raw materials and consumables used		36,290	14,895
Employee benefits expenses		11,785	6,813
Depreciation and amortisation		2,063	713
Management fees		2,422	2,380
Loss on disposals		-	217
Operating lease expense		1,015	684
Fair value (gain)/loss on revaluation of assets held for sale	7	-	217

(c) Finance income and costs

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

4 Income tax benefit

(a) Income tax benefit

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

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

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

(c) Amounts recognised directly in equity

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

4 Income tax benefit

(d) Tax losses

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

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

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

(i) Loans and receivables

This category is the most relevant to the Group. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11(b) and 21(l) respectively. This category generally applies to trade and other receivables.

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

5 Financial assets and financial liabilities

(b) Trade and other receivables (continued)

(ii) Convertible notes receivable

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

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

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

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

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

(iii) Fair value of trade and other receivables

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

(iv) Impairment and risk exposure

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

(c) Trade and other payables

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

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.

5 Financial assets and financial liabilities

(d) Borrowings

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

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

(i) Secured liabilities and assets pledged as security

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

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

(ii) Unsecured liabilities

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

6 Non-financial assets and liabilities

(a) Property, plant and equipment

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

6 Non-financial assets and liabilities

(a) Property, plant and equipment (continued)

(i) Depreciation methods and useful lives

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

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

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

See note 21(o) for the other accounting policies relevant to property, plant and equipment.

(b) Biological assets

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

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

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

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

(i) Accounting for biological assets

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

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

(ii) Measuring biological assets at fair value

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

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

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

6 Non-financial assets and liabilities

(c) Deferred tax balances

(i) Deferred tax assets

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

Significant estimates

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

(ii) Deferred tax liabilities

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

(iii) Tax consolidation

Members of the tax consolidated group and tax sharing agreement

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

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

6 Non-financial assets and liabilities

(c) Deferred tax balances (continued)

(iii) Tax consolidation

Tax effect accounting by members of the tax consolidated group

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

Nature of the tax funding agreement

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

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

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

(d) Inventories

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

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 21(m) for the Group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

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

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

6 Non-financial assets and liabilities

(e) Intangible assets

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

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

(i) Amortisation methods and useful lives

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

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

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

6 Non-financial assets and liabilities

(e) Intangible assets (continued)

(i) Amortisation methods and useful lives (continued)

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

(ii) Impairment tests for goodwill

Goodwill has been tested for impairment. Based on valuations undertaken of the Beston Farm Pty Ltd's assets to which the goodwill relates, goodwill is not impaired. Refer to note 8 for further discussion relating to impairment assessment.

(f) Employee benefit obligations

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

(i) Leave obligations

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

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

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

7 Assets held for sale

During the year ended 30 June 2018 Ferguson Australia Group entered into negotiations to sell the business to an independent third party. Management have concluded that the equity-accounted investment in Ferguson Australia Pty Ltd, along with the corresponding property, plant and equipment and intangible assets owned by the Group and leased to the Ferguson Australia Group should be classified as assets held for sale as at 30 June 2018.

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

The assets relating to Ferguson Australia Pty Ltd have been reclassified as held for sale as at 30 June 2018 and have been separately disclosed within the consolidated balance sheet at their fair value less cost of disposal.

8 Impairment

(a) Management analysis

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

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

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

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

Rates are based on published industry research. Management have intentionally used conservative growth rate estimates when extrapolating cash flows beyond the forecast period. Growth rate estimates of 2.1% were used across all CGUs. As growth rates are in line with long term growth rates, no sensitivities have been performed.

(i) Dairy CGU

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

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

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

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

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

8 Impairment

(b) Key assumptions - Dairy

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

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

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

(i) *Discount rates*

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

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

(ii) *Product sales prices*

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

(iii) *Milk supply prices*

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

(iv) *Milk supply volume*

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

9 Equity

(a) Contributed equity

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

(i) Movements in ordinary share capital

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

(ii) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Other reserves

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

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

9 Equity

(b) Other reserves (continued)

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

(i) Nature and purpose of other reserves

Share-based payments

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

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 21(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(c) Accumulated losses

Movements in accumulated losses were as follows:

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

10 Cash flow information

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

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

11 Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

Exposure

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

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

Amounts recognised in profit or loss and other comprehensive income

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

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

Sensitivity

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

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

11 Financial risk management

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity (continued)

(ii) Interest rate risk

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

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

Sensitivity

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

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

(iii) Price risk

Exposure

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

(b) Credit risk

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

(i) Risk management

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

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

11 Financial risk management

(b) Credit risk (continued)

(ii) Impaired trade receivables

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

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

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

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

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

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

(iii) Past due but not impaired

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

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

(c) Liquidity risk

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

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

(i) Maturities of financial liabilities

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

11 Financial risk management

(c) Liquidity risk (continued)

(i) *Maturities of financial liabilities (continued)*

Contractual maturities of financial liabilities

	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At 30 June 2018						
Non-derivatives						
Trade and other payables	22,512	3,954	-	-	-	26,466
Borrowings (excluding finance leases)	12,900	7,515	-	-	-	20,415
Finance lease liabilities	23	69	159	-	-	250
Total non-derivatives	35,435	11,538	159	-	-	47,131

12 Capital management

(a) Risk management

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

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

(b) Dividends

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

13 Business combination and disposals

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

	30 June 2018 \$'000
Loan Consideration:	
Beston Global Food Company (Dalian) Limited	3,896
New Benefit International Investment Limited	1,800
less: unwind of Foreign currency Translation Reserve	(89)
Less: Assets disposed	
Cash	(104)
Accounts Receivable	380
Other Receivables	(1,472)
Prepayments	(168)
Inventory	(3,301)
Property, Plant & Equipment	(36)
Deferred Tax Asset	(415)
Add: Liabilities disposed	
Accounts Payable	18
Payroll Liabilities	27
Other liabilities	883
Gain on disposal of Entity	(1,419)

There were no business acquisitions for the period.

14 Interests in other entities

(a) Material subsidiaries

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

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

(b) Non-controlling interests (NCI)

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

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

14 Interests in other entities

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

	AQUAessence Pty Ltd	
	30 June 2018 \$'000	30 June 2017 \$'000
Summarised balance sheet		
Current assets	171	400
Current liabilities	1,037	524
Current net assets	(866)	(124)
Non-current assets	1,236	2,155
Non-current liabilities	-	794
Non-current net assets	1,236	1,361
Net assets	370	1,237
Accumulated NCI	181	606
	AQUAessence Pty Ltd	
	30 June 2018 \$'000	30 June 2017 \$'000
Summarised statement of comprehensive income		
Revenue	308	319
Profit for the period	(1,020)	(720)
Total comprehensive income	(1,020)	(720)
Profit/(loss) allocated to NCI	(500)	(353)
	AQUAessence Pty Ltd	
	30 June 2018 \$'000	30 June 2017 \$'000
Summarised cash flows		
Cash flows from operating activities	331	470
Cash flows from investing activities	(308)	(403)
Cash flows from financing activities	(62)	(26)
Net increases/(decrease) in cash and cash equivalents	(39)	41

14 Interests in other entities

(c) Investments

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

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

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

- (2) Neptune Bio-Innovations Pty Ltd ("NBI") is an industry recognised and accredited Research & Development food contract manufacturer, operating in the Food & Beverage, Nutritional, Personal Care and Nutraceutical product industries. It is a strategic investment for the Group offering a range of health and well-being enhancing functional foods, either used as stand-alone products or in conjunction with the Dairy, Meat and Health divisions. This investment is contained in the Health segment of the Group.

The Group's investment in NBI remains important and there remains the intention to maintain a commercial relationship with NBI. However, the Group's focus is increasingly on its dairy and meat segments. The potential synergies with NBI's activities are reduced with NBI focussing its growth plans more on consumer health products that are less aligned to the Group's main activities.

The Group stepped back from its close commercial relationship with NBI from early 2018, and as a result, agreed with NBI to restructure its shareholding which was implemented on 3 April 2018. The Group does not have a representative on the NBI board. As a result of the diminished commercial alignment, the Group no longer has significant influence over the operations and financial decision making of NBI and has ceased to equity account for its investments in NBI.

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

15 Contingent liabilities and contingent assets

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

16 Commitments

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

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

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

(b) Lease commitments: group as lessee

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

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

17 Events occurring after the reporting period

(a) Management analysis

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

Scorpio is a further processor of meats specialising in developing product solutions for customers. Based in Shepparton, Victoria, the Investment Manager has been restructuring the operations of Scorpio, upgrading its facilities and expanding its customer base to drive its growth. The Group, as a key financial investor, has provided funding and management expertise in support of the transformation of the Scorpio business. Key activities in the last 12 months have included the relocation of all operations to Shepparton from Colac and the sale of the Colac premises. The factory at Shepparton has also been significantly enhanced to increase production capacity, capability and efficiency. These actions have been largely funded by the Group.

At 30 June 2018, the Group had invested a total of \$8.8 million by way of convertible notes \$2.7 million and loans \$6.1 million as disclosed in note 5. As part of completing the acquisition, the Group has acquired the Shepparton property which is being leased back to Scorpio. Proceeds on the sale were used by Scorpio to retire debt and to partially reduce the loan from the Group.

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

18 Related party transactions

(a) Subsidiaries

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

(b) Key management personnel compensation

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

(c) Transactions with other related parties

The following transactions occurred with related parties:

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

(i) Transactions with other related parties

The Group entered into the following transactions with related parties:

- Provision of management services to Neptune Bio-Innovations Pty Ltd to assist in commercialisation processes
- Provision of additional directors services to all associates and investee entities
- Provision of funding via convertible notes and charging of interest on balances owing to all associates
- 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
- Payment to BPAM for costs incurred pre-IPO in forming the Group

18 Related party transactions

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

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

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

(e) Loans to/from related parties

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

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

(f) Terms and conditions

(i) Transactions with the Investment Manager

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

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

The key metrics of the fee are summarised below:

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

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

The performance fee is calculated as follows:

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

18 Related party transactions

(f) Terms and conditions (continued)

(ii) Transactions with other related parties

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

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

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

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

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

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

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

No guarantees were provided for any related parties.

19 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

19 Earnings per share

(b) Diluted earnings per share (continued)

The Founders' Rights per note (i) have not been included in the diluted earnings per share calculation as they are anti-dilutive for the period presented.

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

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

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

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

20 Parent entity financial information

(a) Summary financial information

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

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

(b) Contingent liabilities of the parent entity

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

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 Biological Assets which are recognised at fair value less costs to sell.

(iii) Changes in accounting policy

As a consequence of an IFRS Interpretation Committee (IFRIC) agenda decision issued in November 2016, management has amended its accounting policy to recognise a deferred tax liability on indefinite life intangibles acquired as part of a business combination. The amendment resulted in an increase of \$1.2 million to goodwill and deferred tax liabilities as at the beginning of the earliest comparative period.

All other accounting policies are consistent with those applied in the previous financial year.

(iv) New and amended standards adopted by the Group

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

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

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

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

The Group also elected to adopt the following amendments early:

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

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

21 Summary of significant accounting policies

(a) Basis of preparation (continued)

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Revaluation of biological assets

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

Impairment of non-financial assets

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

Deferred tax balances

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

(vi) New standards and interpretations not yet adopted

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

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. It expects to continue measuring at fair value all financial assets currently held at fair value. AASB 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

21 Summary of significant accounting policies

(a) Basis of preparation (continued)

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

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 15 <i>Revenue from Contracts with Customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.	At this point, the Group has assessed individual contracts, which has indicated the adoption of the standard is not expected to have a material impact. The Group will apply the modified retrospective approach on transition and there will be no adjustment to profit and loss. Additional disclosures on contract details and performance obligations will be required and minor presentation changes of amounts in the Statement of Comprehensive Income will arise.	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.
AASB 16 <i>Leases</i>	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	While the Group has yet to undertake a detailed assessment of the impact of AASB 16, the Group does not expect there to be a material impact of the Group's asset and liabilities. <ul style="list-style-type: none"> The standard will affect primarily the accounting for the Group's operating leases. At the reporting date, the Group has lease commitments currently disclosed as operating leases of \$0.37 million (refer to note 15) over a period of 2 years. Some commitments disclosed relate to milk purchases will not qualify as leases under AASB 16. 	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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

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

21 Summary of significant accounting policies

(a) Basis of preparation (continued)

(vi) *New standards and interpretations not yet adopted (continued)*

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

(b) Principles of consolidation

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

(i) *Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 21(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 21(j).

(c) Segment reporting

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

21 Summary of significant accounting policies

(c) Segment reporting (continued)

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

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

21 Summary of significant accounting policies

(e) Revenue recognition (continued)

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

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

(f) Government grants

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

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

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

(g) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

21 Summary of significant accounting policies

(g) Income tax (continued)

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

(h) Leases

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

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

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

(i) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

21 Summary of significant accounting policies

(i) Business combinations (continued)

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 assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

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

(m) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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

(n) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,

21 Summary of significant accounting policies

(n) Investments and other financial assets (continued)

(i) *Classification (continued)*

- held-to-maturity investments, and
- available-for-sale financial assets.

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

(ii) *Reclassification*

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

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

(iii) *Recognition and derecognition*

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

21 Summary of significant accounting policies

(n) Investments and other financial assets (continued)

(iii) Recognition and derecognition (continued)

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

(iv) Measurement

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

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

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

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

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

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

(v) Impairment

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

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Impairment testing of trade receivables is described in Note 7.

21 Summary of significant accounting policies

(n) Investments and other financial assets (continued)

(v) *Impairment (continued)*

Assets classified as available-for-sale

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

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

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

(o) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 6(a). All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 21(j)).

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

(p) Intangible assets

(i) *Goodwill*

Goodwill is measured as described in note 21(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

(p) Intangible assets (continued)

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

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

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

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

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

(iv) Amortisation methods and periods

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

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

(iii) Share-based payments

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

21 Summary of significant accounting policies

(r) Employee benefits (continued)

(iii) *Share-based payments*

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

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

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

(s) Contributed equity

Ordinary shares are classified as equity.

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

(t) Dividends

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

(u) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

(ii) *Diluted earnings per share*

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

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

(v) Rounding of amounts

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

21 Summary of significant accounting policies

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Parent entity financial information

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