Annual Report
2023

BESTON
GLOBAL FOOD COMPANY

Contents

FY23 key achievements

FY23 has been a year of extremes. In a testament of our resilience, we have managed volatility and continued to take actions to accelerate our profitable growth by investing in our hero product lines such as the expansion of lactoferrin production and discontinuing our Meat, Water and Technology business, which have impacted performance in the past.

Lactoferrin sales

UP **172%**

vs FY22

Dairy gross margins

UP **175%**

vs FY22

Trading EBITDA* significantly improved up

$14.5M

vs FY22

Operating

CASH NEUTRAL

in H2

(*) Trading EBITDA from continuing operations which includes Dairy and Corporate segments

Resilient Results during Volatile Times FY23

$170M
Net Sales from Continuing Operations **UP 34%** vs FY22 (^)

($1.7M)
Group Trading EBITDA from Continuing Operations (**^)

$4.1M
Dairy Division Trading EBITDA (*)

$26M
Gross Margins from Continuing Operations **UP 175%** vs FY22 (^)

21.5MT
Lactoferrin Sales UP 172% vs FY22

$9.84/Kg MS
Record Actual Milk Price paid to Dairy Farmers

152ML
Total milk collected stable vs FY22 despite national production decline

18.5MT
Record lactoferrin production fueled by record yields delivered

- Operations Streamlined
- Capital Plan on track
- Divestments Underway
- Funding Secured

* EBITDA is a non-IFRS measure that the company believe is an important indicator of performance
* Trading EBITDA excludes non-recurring items.
^ Continuing Operations includes the Dairy Division and Corporate segments

Letter from the Chairman and CEO

Dear Valued Shareholder,

The 2022-23 financial year was a year characterised by strong continued growth in the face of challenging and volatile conditions in the Australian economy as well as in the Dairy Industry and the markets in which we operate. The events of the past twelve months have shown volatility, uncertainty, complexity and instability to be the new conditions of our time.

These conditions impacted heavily on the Company in the second half. We were heading towards a strong earnings result when the impact of a surge in gas and electricity prices, insurance costs, chemicals, logistics, packaging and milk costs derailed our momentum and caused a negative downturn in the financial performance of the Company.

The EBITDA results for FY23 however mask some significant operational achievements which can be observed in a number of critical key performance indicators; notably, total milk supplies, production numbers and sales results.

The following commentary is intended to provide shareholders with a “look through” to see how your Beston Global Food Company Limited (BFC) has been positioning to take advantage of the challenges and opportunities arising from the current market conditions.

Industry Outlook

The total supply of milk in Australia fell by around 6% over the twelve months to 30 June 2023, partly because of flood events during the period in conjunction with other extraneous drivers such as high beef prices and labour shortages but also because of the continuing exit of farmers from the dairy industry (as they age and are not as yet being replaced). This fall off in milk supply reflects a trend of year-on-year declines in raw milk production in Australia in recent years which is forecast to see total volumes fall to around 8 billion litres at the end of the 2022-23 season, the first time in more than 30 years.

Around the world, in contrast, milk production has grown over the 2022-23 period, notably in the United States, Europe and New Zealand as a result of favourable seasonal conditions and stimulatory supply policies in these major dairy production regions. As a consequence, Australian dairy production now has a marked “disconnect” with the rest of the world, with the cost of farmgate milk currently being significantly more expensive in Australia than elsewhere (e.g., milk prices in New Zealand are circa 20% below those in Australia).

The global oversupply of dairy products has placed downward pressure on the domestic Australian market. The volume of New Zealand dairy exports to Australia for example rose by 14% in the twelve months to February 2023. Other international competitors have also been rushing to reallocate export volumes to the local Australian market, thereby creating even further competition and downward pressure on prices.

The Australian Dairy Products Federation (ADPF) has noted that the prices being paid for dairy commodities in Australia as at June 2023 was 29% lower than a year ago, while processors continue to pay historically high prices for milk: “Australian dairy processors are carefully managing a tough domestic environment marked by low volume growth, exorbitant overhead and input costs, a decline in global prices and rapid growth in import competition, leaving dairy processors with less margin than ever before” (ADPF, June 14, 2023).

The increases in prices paid for milk has re-set the dairy industry and has been a welcome development for dairy farmers, while exacerbating the inflationary pressures on dairy processors.

The cost/price pressures have caused many Australian dairy processors to review and simplify their business, as with the announcement by BFC on 22 June, 2023 in relation to the discontinuance and divestment of non-core assets.

Letter from the Chairman and CEO

Navigating the Challenges

The Board and Management of BFC has always understood that navigating through "shocks" is part of doing business, as has been demonstrated on a number of occasions during the relatively short history of the Company.

Soon after starting out, BFC experienced the supply-reducing effects of two years of drought, and then from early 2020, nearly three years of the Covid-19 pandemic which proved to be the biggest economic disruption in generations and had significant negative impacts on both the demand side and the supply side of the business. The combination of challenges thrown at us over these periods were such that had not been faced by our much bigger competitors in the industry when they were starting out. But, we have proven the resilience of our business model and have come through each of the difficult times in an even stronger position.

The strong positive earnings trajectory which was demonstrated as we came out of Covid gave the Board and Management confidence to issue earnings guidance for FY23 of $8-10 million EBITDA on the back of projected Group Sales of $150 – 180 million.

The Company remained on track to deliver on this earnings guidance until March 2023 when it was hit with unprecedented inflationary pressures brought about by external factors. The cost of natural gas increased by around 300% as BFC came out of contract with its energy supplier and insurance costs also jumped up due to a rise in the premium charged by insurance companies in the wake of natural disasters around the world and in Australia (including the 1 in 100 year flooding event which caused the River Murray to break its banks in South Australia and spread across adjacent townships in the Murraylands region where BFC's factories are located). The cost of insurance premiums paid by the Company have increased by around $1 million over the last three years. The cost of the Company's other key production inputs, in particular electricity, chemicals, packaging and transport, also jumped up as the Reserve Bank embarked on monetary tightening and raised interest rates.

The uplift in the Company's cost of goods came at a time when the price of milk (the largest of our production inputs) was at an all-time high and when the global prices of whey powder (one of our largest by-products) fell significantly (by around 20 – 30%) due to increased competition across the world (and in particular from products sourced from Europe and the USA).

The sudden and dramatic escalation of input prices in Australia caused BFC to downgrade its earnings guidance on 30 March 2023 and refresh its strategy from a growth ambition based around manufacturing and supplying a range of food and beverage products to an intense focus on profitability based around its value-add Dairy and Dairy nutraceuticals business. The refresh of its strategy has resulted in BFC announcing on 22 June 2023, the discontinuance and divestment of its meat and plant-based meat processing operation in Shepparton, Victoria, its water bottling production assets, land and water licenses in Mt Gambier, South Australia and its Beston Technology business.

The refreshed focus on becoming "Australia's leading sustainable and value-add Dairy Company" through the discontinuance and divestment of its Meat, Water and Technologies businesses, will enable BFC to concentrate on its most profitable and largest business segment and more easily weather the cost / price pressures impacting on the Company (as are also being experienced by most other companies in our supply chain).

While some $28 million of additional costs from inflationary and other external costs impacts on the business have been absorbed and offset by improvements in price and volume performance during FY23, we do not expect to see the abatement of these pressures in the near term.

As explained previously in various communications with shareholders, we have never told our shareholders of the problems or challenges faced by the Company without also delivering on solutions. Accordingly, the following provides a brief explanation of the actions which have been taken to address the "big ticket" cost pressures impacting on the business:

Natural Gas

- Renegotiations undertaken with monopoly natural gas supplier on contract terms to bring prices paid more closely in line with the spot prices of natural gas. These renegotiations have resulted in savings of circa $225k being achieved for FY23.
- The current gas price of $28 per gigajoule will remain in place until 30 September 2023 when a new contract will apply, taking the price from $18 per gigajoule through to 31 March 2024.
- Project planning is proceeding for the establishment of a biogas plant at Jervois to replace the use (and cost) of natural gas. A Project Development Agreement has been signed with a specialist contractor and the project has now advanced to the business planning phase.

Electricity

- A new contract for the supply of electricity has been renegotiated which takes effect from 1 April 2024 and extends to 31 March 2025.
- The current contract involves prices of 26.95 cents per KWH (peak) and 14.87 cents per KWH (off peak).
- The new contract involves prices of 13.62 cents per KWH (peak) and 11.55 cents per KWH (off peak).
- The annualised saving, from the date of the new contract is in excess of $1.0 million in a full year.

Insurance

- A thorough review is being conducted of all insurances in conjunction with the Company's insurance broker and utilising the services of an independent insurance expert to identify opportunities for premium savings.

Operational Update

Milk Supply

BFC has contracted all of its milk requirements for FY24. The total volume of milk supply under contract for FY24 is 155 million litres, which represents a 2% increase on FY23 closing volumes. As such, BFC is running against the national trend explained above, whereby total milk production in Australia fell by 6% during FY23. This is no small achievement in one of the most challenging times on record when most other dairy processors in Australia have been scrambling to secure milk supplies for FY24.

We believe that part of the reason why we have been able to expand our milk supply while the overall milk pool is shrinking, is because of the investment we have made in building relationships with our contract dairy farmers, and particularly during the tough drought years of 2017 and 2018. These relationships were publicly recognised when BFC received the "Best Farmer/Processor Relationship" Award at the South Australian Dairy Awards on 4 August, 2023. (Along with 6 Gold Medals and 9 Silver Medals for the quality of our cheeses plus the top award for "Best Mature Cheddar").

BFC views its relationship with dairy farmers as a partnership. Our BFC milk supply team acts as a conduit to communicate the needs of our farmers to our management and production staff and ensure that every possible assistance is provided to enhance the welfare of our farmers and their families. The strength of our partnership with farmers has also been demonstrated by the way in which our milk supply team engaged with farmers affected by the flooding of the River Murray. Consistent with our actions in previous periods of helping our farming communities to cope with times of adversity (such as the two year drought in 2017 and 2018), staff of BFC provided hands-on flood preparation and mitigation assistance to the owners of farming properties around the Murray Bridge / Jervois flood-affected region. Staff of BFC also provided assistance to the wider community affected by the floods, such as by supplying unused milk crates to a number of households so that furniture could be placed off the floor in people's homes. Some of these properties were subsequently inundated by the flood waters. Other assistance provided to farmers included helping farmers to shift their dairy herds to higher ground and/or adjacent properties so they could continue milking. BFC also supplied redundant pallets to the SA Dairy Farmers Association (SADA) for use in sand bagging activities.

As another way of assisting our farmers, BFC has been running methane abatement trials on some of our contract farms in conjunction with PIRSA (SA Government Department of Primary Industry and Regions) with a view to using on-farm collected data to generate carbon credits and create an additional source of income for our farmers.

We see our partnership with BFC's contract dairy farmers, and the farming communities in which they live, as a symbiotic one, whereby we all help each other to thrive and prosper.

Milk Prices

BFC's milk price for FY23 has now been increased to a weighted average of $9.84kgMS reflecting seasonal conditions and overall milk flows throughout the season. As a result of the extreme market conditions in FY23, this milk price payout represents the highest ever milk price paid by BFC to Australian Dairy Farmers. Total milk payouts of some $105 million have been paid and distributed from BFC to South Australian and Western Victorian Dairy Farmers throughout FY23.

The Company continues its commitment to a competitive milk price payout to our Dairy Farmers. All of BFC's milk requirements are now contracted with Dairy Farmers for FY24.

Production and Supply Agreements

The production volumes for mozzarella and Lactoferrin closed within the operational guidance provided for FY23. Notwithstanding the intense competition in the markets in which we operate, BFC has been able to hold its prices at FY23 levels in negotiating new supply contracts for FY24. Pleasingly, all of the Company's major supply contracts with food manufacturers and retail outlets have been renewed and signed for another two years at pricing mechanisms and pre-defined volumes which are at least the same, or better, than FY23.

Letter from the Chairman and CEO

Beston is on track to deliver supply partnership with other Australian Dairy processors, as well as New Zealand and USA based Dairy companies. These partnerships have been developed to achieve portfolio synergies and milk solids optimisation. For example, Beston is now enhancing the usage of liquid micellar casein to capture greater yields on its production of mozzarella. The Company expects these initiatives to contribute to results in FY24 and beyond.

Beston is also on track to launch a new FARMERS TRIBUTE super premium range of hard and cream cheeses across the South Australian retail landscape, in October 2023. The inventories required for this launch (e.g., aged cheddar) have been built over the past 12-18 months.

Sales and Financial Performance Update

The underlying performance of Beston continues to strengthen with significant revenue growth of above 30% year on year. Thanks to an improved product mix and greater manufacturing stability, led by our award-winning Mozzarella and Lactoferrin businesses, the Company's Group margins have significantly improved on FY22, (with margins achieved which were close to double the previous year). However, EBITDA performance was adversely impacted by significantly increased utility costs led by natural gas and electricity as well as chemical, logistics and insurance costs.

Lactoferrin sales closed at approximately 21MT in FY23 and substantially all the FY24 production of Lactoferrin has been contracted with local as well as international clients. Recent developments in the Chinese Infant Formula regulations (requiring a greater proportion of Lactoferrin to be used in on-shelf formulations) are set to continue to drive demand as well as prices of Lactoferrin.

Group Trading EBITDA* in FY23 fell short of our expectations due to the unprecedented inflationary cost pressures brought by external factors, especially price increases in utilities (gas, electricity), chemicals, logistics and insurance which impacted heavily in H2, as noted above. Group Trading EBITDA*, as noted above also, has been impacted by significant volatility in the Whey Protein pricing portfolio across H2 FY23 and loss-making positions across our Water and Meat businesses.

The result, albeit disappointing, is a substantial improvement on FY22 (-$16 million) and is an encouraging portend. On a standalone basis, the Dairy Division achieved a Trading EBITDA* of $4.1 million, reflecting improved trading performance of our Dairy portfolio, which contributes to over 90% of Group Sales.

In the face of very difficult operating conditions which prevailed during the year, the Company recorded a number of significant achievements against targets, these include:

- Record Group Revenues of $182.6 million (up by 31% on FY22).
- Gross Margins of $24.6 million (up by 132% on FY22).
- Over 150 million litres of milk collected and processed (up by 2%, even though national production was down by 5% and the devastating River Murray floods in December 2022 closed down milk supply from four of our contract dairy farmers).
- Record breaking production of Lactoferrin at 18.4 tonnes (ahead of top end of guidance).
- Total Lactoferrin sales of 21.5 tonnes (up 172% on FY22).
- Mozzarella production of close to 15,000 tonnes (in line with guidance).
- Cream Cheese sales at record levels (up by 165% on FY22).
- Successful capital raise of $28 million completed and debt reduction delivered.

The milk price paid to dairy farmers reached record levels across the whole of the industry during FY23 with over $100 million being paid by the Company to its farmers (and an estimated $450 to $500 million being injected into regional dairy communities as a result of the flow-on effects from milk cheque expenditures).

Debt Tender

Early in 2023, BFC announced that it intended to undertake an open tender for its debt facilities to ensure that the structure and tenor of our banking arrangements were appropriately matched with the objectives of the Company (ASX Release, 30 January 2023). The existing debt facilities were put in place during the Covid-19 period. Until that time, BFC was largely funded with equity, along with some normal bank trading facilities (over draft accounts) and had not had a need to utilise core debt.

Given the circumstances in which the Company's debt facilities were put in place, these facilities were not considered to be fit-for-purpose when BFC emerged from Covid-19 and resumed its growth trajectory.

BFC appointed an independent finance consultant, Berkeley Capital Partners (BCP) to assist in managing the public tendering of its debt facilities. The process involved the short-listing of suitable banks and financial institutions and the presentation of detailed financing proposals to secure the best funding solution to meet the needs of BFC going forward.

The Company announced the completion of this tender process on 31 July, 2023.

We are pleased to advise that funding agreements have been reached with the National Australia Bank (NAB) and Scottish Pacific (Scot Pac) in relation to senior debt, working capital, trade finance and plant and equipment facilities.

BFC recognises that financial markets are extremely dynamic at present, and hence, in conjunction with BCP, the Company is taking an approach of continuous improvement and will work alongside the selected and new funding partners to reduce the size and cost of its debt funding over time.

*Trading EBITDA excludes non-recurring items.

Letter from the Chairman and CEO

Capital Management Initiatives

The completion in late November 2022 of the Placement and Non-Renounceable Entitlement offer undertaken by BFC raised a total of 28.2 million in equity funds and enabled the Company to reduce its gearing to around 38%, as forecast. Following the equity raising, an amount of $16.0 million was paid to the Company's bank to reduce debt and plans were actioned to implement the other objectives of the raising; namely, investing in a third Lactoferrin extraction column and implementing a number of low risk, high returning initiatives to unlock cost savings, deliver a number of environmentally sustainable outcomes and accelerate profits.

The equity raise and balance sheet re-set was timely given the subsequent turmoil in financial and commodity markets and has better equipped the Company to deal prudently and effectively with the changing market conditions as well as positioning us to take advantage of any new opportunities as they arise. The strong sales and cash flows being achieved in the business are set to continue to improve our balance sheet position.

The Implementation of the capital development plan, utilising a portion of the proceeds from the capital raise, is in full swing with over $12 million of new investments now committed to our Dairy factories. This includes the commissioning of our 3rd Lactoferrin extraction column, a comprehensive water treatment plant for our Jervois facility, as well as several other high returning projects with less than 12 months pay back.

Looking Ahead

The principal objective of BFC, with its dairy operations, has been consistent throughout its journey: that is, to extract the maximum value from each drop of milk processed and doing so in the most sustainable manner (as is represented in our corporate logo, i.e., a drop of milk in a green and gold setting).

The progress made by the Company over the past 12 months can be attributed to our enhanced product mix and improved manufacturing stability. Our award-winning mozzarella and Lactoferrin businesses have played a pivotal role in the achievement of significantly higher revenues and margin growth. In testament to our product quality and standards, our Lactoferrin customer base now includes globally recognised Infant Formula brands and manufacturers.

BFC recently achieved the renewal of its CNCA (Certification and Accreditation Administration of the People's Republic of China) licence, and SAMR Registration (State Administration for Market Regulation) which are critical for the export of Lactoferrin and Lactoferrin-based products into China. The CNCA Licence (previously held only by the Jervois factory) has now also been extended to our Murray Bridge factory.

Looking forward, the Company will continue to build on the foundations which have been established and unlock value in the microbiology of milk. The installation and commissioning of our 3rd Lactoferrin extraction column is an important next step in further increasing our revenues and margins. All of our forecast FY24 volume of Lactoferrin production is essentially contracted to leading global infant formula customers.

Lactoferrin is a multifunction glycoprotein which occurs naturally in dairy milk (and human breast milk) and has been linked to a number of immune boosting health benefits due to its iron absorptions and anti-pathogenic properties. Its high bioavailability ensures easy absorption by the human body.

Lactoferrin has, to date, been mainly used for the production of infant formula (around 80% of all Lactoferrin produced globally has been used in the manufacture of infant formula, on account of its bioactive components which help support early development and growth). In recent years, markets have been opening up for Lactoferrin in a wide range of other applications, such as sports nutrition, adult nutrition, cosmetics, oral hygiene and even pet food. It is a highly prized health enhancing protein which will play a big role in BFC's forward growth trajectory. The global demand for Lactoferrin is estimated to increase from around AUD 350 million per annum currently to over AUD 1,000 million per annum by 2033.

In addition to expanding the production of Lactoferrin in FY24, BFC will exploit the unique chemistry and microbiology of milk by moving onto the production of other dairy nutraceutical and protein products. Pilot tests are already underway on a several such products.

The Board and Senior Management Team have been pleased to witness the material improvements which have been made in a number of areas of the Company's operations during FY23 which has further strengthened our resilience and market positioning. The hard work of our people is paying off.

While the FY24 year has commenced with some deep volatility across dairy markets, especially outside of Australia. We remain positive about the many possibilities ahead.

The world (and the markets in which we operate) are in the grips of an economic polycrises (brought about by the war in Ukraine, rising inflation, rising interest rates and the after-shocks of Covid-19 etc). For BFC, this global polycrises has translated into a substantial lift in the Company's operating costs, at a time when milk prices in Australia have risen to historically high levels and are "disconnected" from global dairy prices.

The significant disconnect with New Zealand milk prices (which are around 20% lower than Australian farmgate prices) has put enormous pressure on Australian Dairy Processors (imports of NZ dairy products to Australia have increased by 28% during FY23). A return to parity pricing would provide an immediate positive earnings impact of more than $20 million to BFC with the economies of scale and mix of product sales now being delivered on a consistent basis at our Company.

BFC has been positioning itself via the various achievements made to date, as detailed above, to weather the current negative pressures on the Company (and the industry) and to be able to capitalise on opportunities as they emerge from the current situation.

History shows that milk price corrections do happen – and have occurred twice in Australia over the past 60 years. The key focus of BFC is to continue to remain resilient (as we have demonstrated in recent years) and to continue to play the long game as outlined in our original business plan.

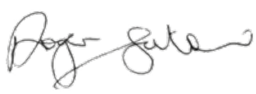
Times of industry disruption and economic polycrises as we are currently experiencing, will always flush out opportunities for industry consolidation and strategic growth.

BFC has instituted a number of specific actions to ensure that it remains resilient, including:

- Reducing the cost of production inputs (e.g. via a water treatment plant to achieve savings of circa $1 million per annum; a business plan to reduce the cost of, and reliance on, natural gas; and overhauling our insurance arrangements to reduce annual premiums).
- Re-launching a retail range of products into domestic markets (branded “Farmers Tribute”) which have less price elasticity than global markets.
- Further expanding our Lactoferrin business (with the commissioning of the 3rd column).
- Reducing the use of high cost domestic raw milk in favour of imported milk solids.
- Discontinuing and divesting the non-core businesses of water, meat and technologies which hitherto, have been a drag on earnings.
- Adopting a zero based budgeting approach to the financial management of our business

We are confident about our forward trajectory. The hard work of our people means that we have a business which is well positioned to capitalise on the market correction, when it occurs and to exploit any opportunities for both top line and bottom line growth that might emerge from the current abnormal market situation.

In closing, we would like to thank all of our employees for their tremendous efforts and hard work during the year. We would also like to thank our valued partners: our farmers, our suppliers, our customers and our shareholders for their continued support. The members of the Board have been unwavering in their commitment and we thank them for their significant contributions, guidance and support across a very challenging year.



Roger Sexton
Chairman

Fabrizio Jorge
Chief Executive

Review of operations

At a glance

FY23 results have been marked by our overall focus on controllables, significant strategic progress achieved and resilience on core companywide key leading indicators. FY23 carried on the strong trajectory of top line revenue growth and consistency in milk and production fundamentals.

Our total FY23 milk intake was broadly flat despite the overall Australian milk pool decreasing. National milk production declined 5% vs FY22 and in South Australia, 3.3% vs FY22. These solid results are a testament of our team's ability to secure milk solids and our manufacturing flexibility to accommodate milk solids in other formats outside of fresh milk.

Our FY23 performance was marked by solid revenue and margin growth. Our Dairy business, which corresponds to over 90% of Group sales (prior to discontinuing certain operations), saw revenues increased by 34% over the prior year and operating margins lifted by 175% vs FY22. This has been achieved largely through price and improved product mix with 21.5MT of lactoferrin sales (172% increase on FY22). This improved product mix performance was offset however by a rapid decline of whey protein prices over the course of late Q3 and Q4 of FY23, domestically and also internationally.

Whilst operating margins lifted substantially vs FY22, milk prices in Australia also reached record high levels in FY23 driven both by competition from other dairy processors and by significant decline in national production due to natural disasters (i.e., Murray River floodings and Northern Victoria floodings during Spring FY23).

The high costs of milk were further exacerbated by the inflationary pressures seen in gas, electricity expired, chemicals, and insurance. When our legacy contracts for natural gas and electricity expired, some of the new variable rates for these inputs rose by up to 300% on the prices paid in FY22.

On our controllables, our dairy production facilities continued to show improved production capability with all our operational guidance metrics achieved or over-achieved. The highlights have been the achievement of 15,000MT of mozzarella production and over 18MT of lactoferrin during FY23, despite no milk growth vs FY22.

Dairy Operations

Milk supply and prices

At the beginning of the financial year, we forecast milk supply to be around 155mL. The final milk supply totalled 152mL, broadly flat in comparison to the previous year and in the face of a national decline in the milk pool of 5% based on Dairy Australia statistics. The overall South Australian milk pool also decreased 3.3% against the prior year based on Dairy Australia statistics.

The milk price paid to dairy farmers reached a record level with strong processor competition for the milk in the declining pool. This led to over $105 million paid to dairy farmers, largely across South Australia.

Mozzarella

Mozzarella produced in FY23 was broadly in line with the FY22 production at around 15,000MT on a relatively flat milk pool. Operational performance of the Jervois and Murray Bridge production facilities was not impacted by downtime issues as in previous years and saw ongoing productivity improvements. Mozzarella supply agreements with Woolworths and McCain Foods have been completed and extended beyond FY23. Our mozzarella export business also continued its momentum with several supply agreements also renewed with clients in Thailand, Philippines, and China.

Lactoferrin

Lactoferrin sales closed at 21.5MT in FY23 vs 7.9MT in FY22. All our FY24 production of lactoferrin is contracted with local as well as international clients. Pricing for lactoferrin improved across the year. In a testament of our product quality and standards, our lactoferrin customer base now includes globally recognised Infant Formula brands. Recent developments in the Chinese Infant Formula regulations are set to continue to drive demand as well as the prices of lactoferrin.

Review of Operations

Discontinued Operations

Beston Global Food Company Limited (ASX: BFC) (the Group) advised shareholders in an update on 22 June 2023 of its intention to discontinue and divest its Provincial Food Group (PFG) and plant-based meats secondary process business, its Aquaessence water assets business and its Technology business.

Beston's Board and Management team have refreshed the Company's strategy from a growth ambition based around manufacturing and supplying a range of food and beverage products to an intense focus on profitability based around its value-add Dairy and Dairy nutraceuticals business. The divestments will enable BFC to focus all its resources and efforts on its core business segment and more easily weather the cost/price pressures impacting on the Company. On a standalone basis, BFC's Dairy business delivered sales of over $169.5 million and Trading EBITDA[1] of approximately $4.1 million in FY23.

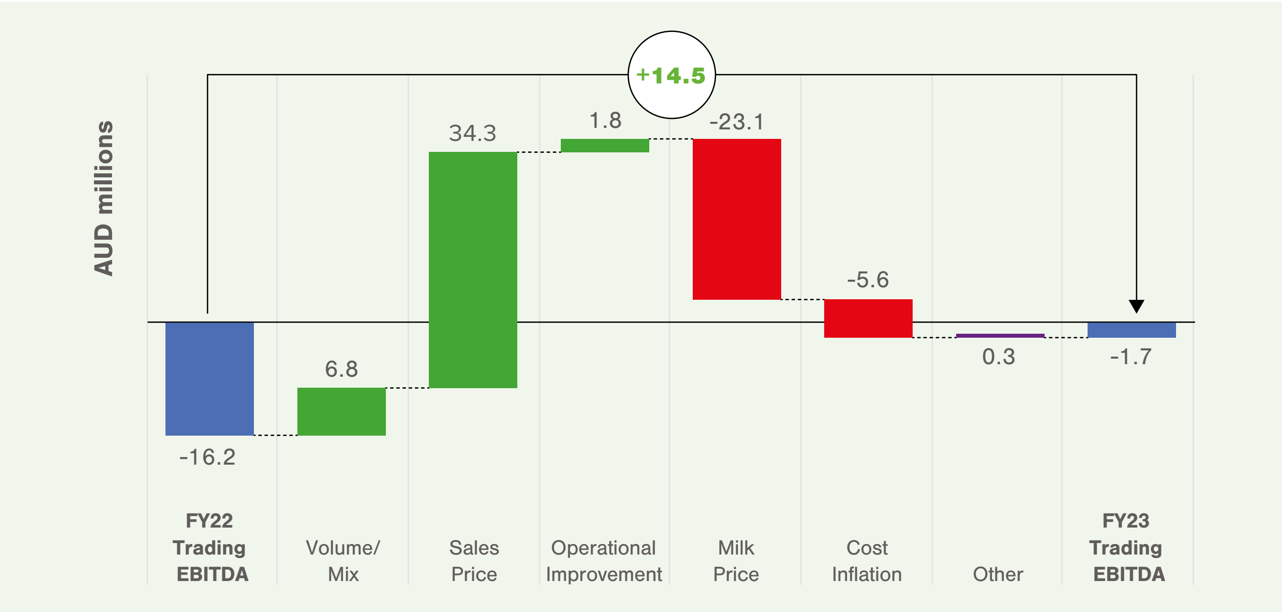
The segments of Meat, Technology and Water have now been classified as Discontinuing operations and classified as held for sale within the balance sheet. BFC is currently in the process of divesting these businesses and assets. The proceeds of any divestments will be used to pay down debt.

Financial Summary

Delivering Resilient results

The FY23 financial performance of BFC resulted in the following:

- Net Sales from continuing operations $169.5m, up 34% vs FY22.
- Net sales from all of business $182.6m up 30.6% vs FY22
- Gross Margins from continuing operations $26m, up 175% vs FY22.
- Trading EBITDA from continuing operations at -$1.7m which is + $14.5m vs FY22 (see table below).
- EBITDA from continuing operations at -$4.1m which is up by $12.1m vs FY22. This includes $2.4m of non-recurring costs associated with capital raising, one off employee related costs and operating expenses.
- Loss before tax -$17.7m which is + $7m vs FY22 and includes $3.9m associated with a non-cash impairment of the PFG and Technology businesses together with an additional $2.8m of funding costs resulting from higher interest rates.



1 Trading EBITDA is a non-IFRS measure that the company believes is an important indicator of performance. Trading EBITDA excludes non-recurring items.

Review of Operations

- Loss after tax -$47.5m which is - $21.7m vs FY22 and includes $29.8m associated with the derecognition of the deferred tax asset. This is a noncash adjustment, and the tax losses continue to be preserved for future use.
- Operating cashflow at -$9.9m which is a $9.9m improvement on FY22.
- H2 FY23 was a neutral cashflow and $6.7m was spent on CAPEX being $0.9m higher than FY22.
- During the year BFC raised $26m via a share placement with $16m contributed towards debt reduction and a nominated $10m for capital projects.

The trading financial performance of the business went through a significant step change improvement in FY23 with the Trading EBITDA* from continuing operations at -$1.7 million which is up by $14.5 million vs FY22. This was achieved with strong price improvement and increased lactoferrin sales offset by a record milk price and significant inflationary pressure on costs.

The most significant driver of this improved performance was the sales product price increases which were put in place across many customers and channels during late FY22 and early FY23. These price increases contributed strongly to the uplift in trading EBIDTA results in this period together with the improved product mix via increased lactoferrin sales at 21.5MT vs 7.9MT in FY22.

Beston Global Food Company Limited (ASX: BFC) (the Group) advised shareholders in an Update on 30 March 2023 that it was seeing unprecedented inflationary cost pressures brought about by external factors especially gas, electricity, chemicals, logistics, packaging and insurance which created a significant negative impact to FY23 earnings.

In addition, with the unprecedented levels of inflation, we saw a rapid decline and significant volatility in whey protein prices internationally, as well as domestically.

The continuous improvement and capital initiatives which have been put in place across the Group in FY23 (via management changes, operational improvements, costs efficiencies, channel-led value creation etc.) can be expected to valorise our business model and be reflected in future financial results.

*Trading EBITDA excludes non-recurring items.

Other significant information

Going Concern

The Group incurred a statutory net loss after tax of $47.5 million and had net cash outflows from operating activities of $9.9 million for the year ended 30 June 2023. On a pre-tax basis, the loss from continuing operations for the year was $11.6 million. The financial statements have been prepared on the basis that the Group is a going concern which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

In September 2022, the Group outlined several activities that were critical to supporting the going concern assumption being: successful completion of a capital raise, generation of sufficient cashflows from operations; meeting scheduled debt repayments and successfully renegotiating certain bank facilities with a facility expiry date of 31 August 2023.

The Directors were pleased to report the successful completion of its capital raise of $28.3 million and debt repayments of $16 million in the half year ended 31 December 2022. To continue as a going concern the Group requires continued operational results improvement as forecast, ongoing support of its bankers or other financiers and milk suppliers, and successful completion of the divestment of non-core operations, as described below.

Financing facilities

The Group successfully completed its debt tender process which has introduced an additional financier, and has increased facility limits of the Group's Invoice Finance Facility.

The Group's financial liabilities of $45 million are primarily made up of three facilities at 30 June 2023: an Invoice Finance Facility of $10.0 million ($9.4 million drawn), Corporate Markets Loan of $18.5 million ($18.5 million drawn) and Business Overdraft Facility of $18.7 million ($9.8 million drawn). The expiry dates of these facilities were extended, effective 30 June 2023, to 31 July 2024. In August 2023 the Group obtained approval and at the date of this report is in the final stages of establishing a new Invoice Finance Facility of up to $25 million (initially set at $18 million with step ups over time) and an Asset Finance Facility. The Invoice Finance Facility has a 3-year term, and can be drawn at any point in time for amounts of up to 82% of domestic receivables and 72% of export receivables, while the $3 million Asset Finance Facility also has a 3-year term. Proceeds will be used to extinguish the existing Invoice Finance Facility and fund scheduled debt repayments.

The Group's 12-month cashflow forecasts assume the continued availability of these or alternate facilities beyond 31 July 2024. The Directors are confident of establishing or renewing sufficient debt facilities prior to expiry of the current facilities on 31 July 2024.

Cash flow from operating activities

A budget and cash flow forecast has been prepared for the twelve-month period from the date of signing the financial statements which forecasts an improved operating performance and cashflows. The cash flow forecast has been prepared based on managements' and the Directors' assessment of reasonable economic, operating and trading performance assumptions, including those achieved in Q4 of FY23. If this forecast is achieved, it will support the Directors' going concern assertion. These forecasts are dependent upon the ability of the Group to secure the necessary milk volumes at the prices forecast by the Group. These volumes and prices are based on continuation of the Group's existing milk purchases from suppliers. These forecasts are also dependent on the cash payment and collection profile being materially in line with the Group's payment terms.

Divestment of non-core operations

The Group made the decision to divest or discontinue its non-dairy operations (Meat, Technology and Water businesses) and is well advanced in this process. The proceeds from these divestments will be used to make required debt reductions.

In summary, having considered the foregoing matters and deliberated on the Group's business plans and operating budgets, the Directors believe that the Group will continue as a going concern.

To continue as a going concern the Group requires continued operational results improvement as forecast, ongoing support of its bankers or other financiers and milk suppliers, and successful completion of the divestment of non-core operations. However, in the unlikely event these conditions are not achieved this may cast significant doubt about the Group's ability to continue as a going concern. In that case, the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of recorded liabilities that might be necessary should the consolidated entity not continue as a going concern.

Executives

Fabrizio Jorge

Chief Executive Officer

Fabrizio is a highly credentialed senior executive with over 25 years of global experience in the food and beverage industry and particularly in dairy products, across Latin America, Europe, Africa, the Middle East, Asia, Australia and New Zealand.

Fabrizio started his working career with Nestlé in Brazil in 1997 and then worked with Nestlé in various executive positions across Asia, Oceania, Africa and the Middle East. Fabrizio then joined Fonterra Cooperative Limited in 2009, working in a number of senior roles, based out of Auckland, Sao Paulo, Bangkok, Singapore and Melbourne. Most recently, Fabrizio has been the Chief Operating Officer of Bubs Australia Limited, overseeing significant growth into new markets in Asia and the USA.

Fabrizio holds a Bachelor's degree in Business Administration from the Pontificia Catholic University in Sao Paulo, Brazil and is a graduate of the International Business School, University of California, USA and the Institute of Management Development (IMD), Lausanne, Switzerland.

Nick Martin

Chief Financial Officer

Nick joined BFC in February 2023 and has career spanning over 23 years spending time in various commercial, supply chain, FP&A and technical finance roles. He oversees the financial management of the BFC group of companies.

Before joining BFC Nick started his career in a Chartered Accounting environment with Edwards Marshall and then leveraged his skills into the food and beverage industry across both Australia and New Zealand including time with leading FMCG companies Arnott's Biscuits, Heinz, Fonterra & McCormick Foods.

He holds a Bachelor of Commerce from the University of South Australia and is a Fellow Certified Practicing Accountant.

Hamish Browning

Director, Agribusiness and Milk

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

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

David Isherwood

Chief Manufacturing Officer

David has 30 years of dairy experience with much of this centred around business growth and strategic change. His career was initially in commercial engineering, strategy and M&A.

David joined Beston in April from Fonterra where he led transformational manufacturing change in mozzarella and nutritional proteins for the Foodservice and Sports markets respectively. Most recently he has been globally based; driving sales, business partnerships and operational integration.

He holds Bachelor of Science (Chemistry) and Bachelor of Engineering (Hons) degrees from Canterbury University, New Zealand and a Diploma in Business Administration (Finance and Marketing) from Massey University, NZ.

Adrian Bartsch

Director, People and Culture

Adrian joined Beston in 2019 as Human Resource Manager focusing on the Murray Bridge & Jervois plants, having previously been employed as a HR Manager within the meat industry for over 10 years, including roles with JBS Australia & Thomas Foods International.

During his time in HR, Adrian has been involved in a number of plant and operational expansions which has seen considerable growth in terms of operations and staffing.

Adrian holds a Bachelor of Management (Human Resource Management) from the University of South Australia.

Cameron Woods

Director, Food and Beverages

Cameron is a senior executive with a 20 year-career in marketing, sales, and general management across Australia, Asia, and the UK.

Cameron joined Beston from Leprino Foods Company, where he was Managing Director of the APAC region, based in Singapore. In this role, he had responsibility for the regional sales and operations of Leprino across the APAC region. Privately owned, Leprino is one of the largest dairy companies in the USA. Prior to moving into the food and beverage industry with Leprino, Cameron held senior marketing and brand management positions in Australia and overseas with the L'Oreal Group.

He holds a Bachelor of Business Marketing degree from Swinburne University, Melbourne and on completion of his studies in 2004, held post-graduate roles with both Ford Australia and Nestle Australia.

Capital Management

Beston has put in place a capital management strategy which aims to strengthen its balance sheet over time and accelerate transformational growth in the revenue and earnings of the Company, while consolidating our position as South Australia's largest and leading dairy company.

During FY23 a number of activities were announced and undertaken towards this objective:

- Restructuring the Group's banking facilities to better match the needs of the business completed in August 2023.
- Completion of the capital raise in November 2022.
- Announcing the decision to divest the Meat, Technology and Water business (22 June 23).

The company has worked with BCP Finance during FY23 to complete its debt refinancing process which was completed and announced on the 24 August 2023.

The expiry dates of these facilities were extended with effect on 30 June 2023 to 31 July 2024.

At the date of this report, the Group is in the final stages of establishing a new Invoice Finance Facility of up to $25 million (initially set at $18 million with step ups over time), which can be drawn at any point in time for amounts of up to 82% of domestic receivables and 72% of export receivables.

The Group established a $3 million Asset Finance Facility also on a 3-year term. Proceeds will be used to extinguish the existing Invoice Finance Facility and fund scheduled debt repayments.

The following table summarises the liquidity position of the company as at 30 June 23.

Facilities Types	Drawn 30 June 23 $m	FY23 facility limits $m
Mortgage	2.2	2.2
Term Loan	20.5	20.5
Equipment Lease and Hire Purchase	4.7	4.7
Working Capital	9.8	18.7
	37.2	46.1

Beston recognises that financial markets are extremely dynamic at present, and hence, in conjunction with BCP, the Company will work alongside the selected and new funding partners to reduce the size and cost of its debt funding over time.

As a consequence of the implementation of these capital management activities, including the revised banking arrangements, the Group believes it has sufficient funding to be able to execute its business plans.

During the financial year an amount of $26.4 million (after costs) was raised from investors.

The primary use of these equity funds was to:

- Continue to increase the underlying cash generation of the dairy business through further investment in the bioactive protein and nutraceuticals space, to capture additional lactoferrin throughout the peak milk period, and to continue Beston's leadership in the bioactive protein and nutraceuticals space ($3 million).
- Invest in several high ROI manufacturing projects to accelerate profit and sustainability improvements including vertically integrating our cheese processing capabilities to capture lost margin.
- Retire debt by $16 million to provide greater capacity to enhance profitability and to fund future growth opportunities, whilst providing a greater level of protection against unexpected or uncertain events such the impacts of Covid-19.

Beston Global Food Company Limited (ASX: BFC) (the Group) advised shareholders in an update on 22 June 2023 that it intended to discontinue and divest its Provincial Food Group (PFG) and plant-based meats secondary process business, its Aquaessence water assets business and its Technology business. The segments of Meat, Technology and Water have now been classified as Discontinuing operations and nominated as held for sale within the balance sheet.

BFC is currently in the process of divesting these businesses and assets. The proceeds of any divestments will be used to pay down debt during FY24.

Sustainability

The Board of Directors and Management Team recognised the critical importance of protecting the planet that we live on. We have therefore implemented a number of policies and practices with the objective of positioning Beston as a leading sustainable dairy company in Australia. We have placed innovation and technology at the heart of our business and believe that the sustainability initiatives we have put in place will not only provide positive environmental benefits but will also lead to productivity improvements.

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

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

Beston appointed an Environment and Sustainability Manager in 2020 with responsibility for the development and implementation of the Company's sustainability strategies and to ensure compliance with all environmental legislative requirements. The Work Health and Safety, and Maintenance Managers assist in ensuring compliance activities are completed and maintained.

To oversee the continuing progress in this area, the Board established an Environment and Sustainability Committee which comprises key members of the senior management team and is chaired by the Chairman of the Board, Dr Roger Sexton AM.

Sustainability Strategy

Beston Global Food Company processes around a third of South Australia's milk through two cheese plants, one in Murray Bridge and one in Jervois, and collects milk from dairy farming families around the State.

Beston owes its livelihood and operational reliability to the rural communities where it operates. We are committed to improving its protection of the environment, health and safety of employees and customers. For the Beston team, the sustainability strategy is about creating a positive enduring legacy for the communities where they operate, as well as for the broader national community.

Beston is targeting to have net zero emissions by 2050 and committed to halving its in Scope 1 and Scope 2 emissions by 2030.

We recognise that the transition to a net zero economy requires that every Company sets and achieves its own carbon emission targets in order to achieve a whole-of-economy transformation. Hence, as part of its sustainability strategy, the Company is seeking to achieve aggressive, authentic, near term change in the way in which it uses renewable energy in its operations.

To this end, we have established a Sustainability Work Plan ("Work Plan") around eight primary technology streams; biogas, hydrogen, renewable electrification, heat pumps, energy storage (chemical and thermal), microgrid, membrane separation and heat exchanges. While there are multiple work streams with a high level of interdependence, the goal of the Work Plan is to produce an integrated technology and capital plan that identifies the optimal combination of technology to deliver energy transformation.

The outcomes from the Work Plan will provide a roadmap for investment in the energy infrastructure at our dairy processing sites at Jervois and Murray Bridge to significantly reduce overall emissions. We anticipate that the results will not only be transformational for Beston, but impactful for the Australia Dairy Industry more broadly.

During FY23 Beston commissioned an independent Carbon Audit, covering the company's processing facilities and contract supply farms. Conducted to the Federal "Carbon Active" standards, this audit not only confirmed a reference point for measuring future emission improvements but also provided clarity on key priorities for Beston in attaining our climate objectives. Beston's participation in feed supplement trials to abate farm methane (see below) is an example of one of the actions propagated from this Carbon Audit and study outcomes.

Of the emissions produced by the Company's two processing facilities, the Audit found that the Jervois factory accounted for 88% of these operational emissions. Whilst leading the dairy processing industry in some areas, such as the capture and isolation of milk delivered bioactives, our daily energy requirements for heating, cooling and cleaning are now a significant focus. Our Energy Action Plan sets priorities in three interdependent workstreams: ***energy source*** (environmentally friendly, alternative fuel sources), ***energy balance*** (alternative ways to use heat, recover it, or substitute out) and ***energy efficiency*** (reducing any heat waste and thermal losses).

Initiatives have been ranked and prioritised to an integrated phased plan. Projects that have strong both emission and commercial benefit have been prioritised.

Substitution of Natural Gas with Biogas, including options to use biogas fuelled combined heat and power systems is a leading example and priority that will not only dramatically reduce Beston's emissions but also mitigate risks around supply continuity and price.

Driving alternate technologies such as reverse osmosis membranes from water removal can cut both cost and emissions in whey processing. Such a change would dramatically shift our energy balance from steam to electricity synergistic with the combined heat and power initiative above

Longer term, important areas to further reduce Beston's emissions include:

- Within site microgrid with solar PV and solar thermal water heating
- Hot water thermal heat, ice banks and batteries
- Investment in energy and thermal efficiency modifications (eg super insulation and variable speed drives)

Several projects are underway on water usage and soil revitalisation while others have already been implemented and are on-going including around packaging and waste management.

Beston FY2024 Energy Action Direction

Energy source
Biogas and other sustainable sources e.g. solar, hydrogen

Energy balance
Electrification e.g. heat pumps, RO instead of evaporation

Energy efficiency
Insulation, cool storage, heat storage e.g. hot water for CIP

PRIORITY 1

Near-term (0-2 years)

Energy source
Biogas (Anaerobic Digester)
Complete feasibility study for the installation of an onsite biogas plant with focus on immediate execution if practical

Energy balance
Heat Pumps
Detailed design for the installation of industrial heat pump technology to the milk reception and treatment area

Energy efficiency
Prioritised near-term energy efficiency opportunities identified in 2023 Type 2 Energy Audit

PRIORITY 2

Mid-term (2-5 years)

Energy source
Combined Heat and Power + Micro-grid
Assess the potential for Biogas input to a CHP plant and greater use of low-grade process heat with feasibility of the interconnection with the grid

Energy balance
Heat Pumps
Detailed design for Bioactive and core utlity area

Membrane Separation
Investment decision for replacement of the gas fired evaporator with pumped membrane separation technology

Energy efficiency
Centralised CIP Kitchen
Feasibility and design of centralised Clean in Place kitchen using recovered heat

PRIORITY 3

Long-term (5-10 years)

Energy source
Hydrogen
Potential for hydrogen-fuelled pulse drying to be explored including analysis of methods to utilise hydrogen in the facility

Energy balance
Energy Storage
Feasibility for an integrated onsite thermal (hot water) storage buffer or Battery Energy Storage System

Energy efficiency
Heat Exchange and Recovery
Targeted installation of heat exchangers to optimise use of process heat

Sustainability

Methane Abatement Program

Enteric methane, produced by cows, has been identified as a significant concern for climate change. The United Nations has estimated that methane is 86 times more impactful on global warming than CO2 emissions.

The methane from cow rumination (enteric) is estimated to account for 62% of on farm emissions (or around 4,000 tonnes of CO2 equivalent per farm per annum). Methane emissions make up about 25% of Australia's total greenhouse gas emissions. Beston entered into a study program with the Department of Primary Industries and Regions, South Australia (PIRSA) in 2022 to consider the methane emissions impact of alternative feeding strategies for the cows owned by the Company's contract dairy farmers.

A pilot project was initiated in February 2023, in conjunction with Australian company Sea Forest to incorporate the use of alternate feed ingredients such as Asparagopsis Armata an abundant red seaweed native to Australian coastal waters (as SEAFEED™) in the feed, used by Beston's dairy farmers. Sea Forest's SEAFEED™ feed supplement is derived from farmed seaweed and contains bioactive compounds which prevent methane production in ruminant livestock. This is achieved by competitively inhabiting the enzymatic pathway which produces methane at the last stage of digestion.

In the trial, the Asparagopsis enhanced forage was fed to 600 cows over a period of 10 weeks from February to April 2023, and their methane output was measured using specific industrial meters placed in dairy sheds.

The results showed an average reduction of 20.8% enteric methane emissions at the prescribed feeding rate in comparison with a control group of traditionally fed cows.

The OZIRIS Sure Trace blockchain technology platform was used to create a chain of custody to enable verification and tracking of the methane emission savings (reductions) and carbon credit creation. The project demonstrated the potential to automate the data capture and analysis and connect the different components of the data to compute and verify carbon credits with an indisputable chain of custody for each cow on each farm to ensure compliance with all Government standards for carbon tracking.

Beston has been a "first mover" in establishing this methane abatement program for the dairy industry. The overall program was developed as a collaboration between Beston, South Australian dairy farmers, the SA Department of Primary Industries and Regions and scientists at the University of Adelaide and University of Technology, Sydney. Importantly, the research project showed that animal health was not affected by the use of the alternative feed, although milk production was marginally reduced. The end outcome established that the amount of methane produced per litre of milk was substantially less as a result of using feed additives and demonstrated the way in which dairy farming can become a lower carbon, more sustainable industry.

The results of the project have important policy implications for the design of programs to proactively curtail emissions to reduce global warming. The significance of the results have been underscored by a recent announcement on August 9, 2023 by the Californian Government that it will provide financial incentives (of up to USD 25.0 million) to livestock producers and dairy farmers who voluntarily adopt strategies (e.g., by the use of feed additives) to reduce enteric emissions on farms. The impetus of such measures is the 1.5 billion cows on the planet that produce 150 million tonnes of methane annually, by far the single largest source of methane globally.

Sustainability

Beston Technologies

Beston technologies was developed with the aim of providing traceability of the ingredients used by BFC and verification of the authenticity of our products. In large part, the rationale for the technology was based around our objective of exporting to China, on the back of the China Australia Free Trade Agreement (ChAFTA). As detailed in the Prospectus for the IPO, we wanted to incorporate technology onto our packaging which could both prevent counterfeiting of our products (a problem for food and beverage companies in China) and empower consumers so that they could verify the provenance of our product and track-and-trace the ingredients. We looked around the world to find a suitable off-the-shelf technology for our needs and discovered that none actually existed.

We therefore set about to develop our own technology platform which turned out to be ground breaking, as demonstrated by the fact that it has been awarded 13 patents including a block chain patent from the USA. The OZIRIS technology platform (track, trace and verification) is embodied within BFC's 100% owned subsidiary, Beston Technologies Pty Ltd.

The closing of the China market for BFC's dairy products has meant, that the technology has not been utilised in the manner expected (i.e. for export products). Moreover, domestic consumers in Australia have shown that they are not prepared to pay a premium for being able to verify the provenance of products and variety of label claims.

As detailed in the 2022 Annual Report, Beston Technologies has undertaken a number of refinements over recent years to enable the technology to be evolved into a multifunctional device which has broader applications across food and beverage supply chains. These applications have been tested in proof-of-concept trials involving recycling of plastic waste, meat and food recall. For instance:

- The OZIRIS technology has been successfully tested in waste transfer station to quickly and efficiently sort plastic packaging into recyclable and non-recyclable.
- The OZIRIS technology has been used successfully in trials with a major supermarket chain to reduce food wastage via the data capture of food which is close to "use by" expiry dates or subject to food recalls by manufacturers.

Over the past 12 months, the Beston Technology platforms have been further refined for use in Software-as-a-Service (SaaS) applications and /or in Hardware-as-a-Service (HaaS) applications. Examples of the refinements made include:

- **Addition of Compact Raman technology**
  Beston technologies was successful in securing further Federal Government matched funding from the Entrepreneurs Innovation Connections program to complete software development for a Raman optical scanning solution. The innovation lies in simplifying existing industry platforms, enabling a more compact device to be placed on operating conveyor lines to scan individual units for authenticity. The scanning, (involving Machine Learning on the OZIRIS cloud server) being real time and non-contact was shown to be cheaper than conventional devices (which are often remote from the operational site and much more expensive to buy and operate). The proprietary Compact Raman device was developed with University of Adelaide's Institute of Advanced Phonics and Remote Sensing.
- **Creation of GSI Australia compliant identifiers**
  GSI Australia compliant identifiers at critical nodes in supply chains were linked and placed on the OZIRIS Distributed ledger to create an "OZIRIS Sure Trace" module to provide a chain of custody to verify source of origin for carbon credits. This module was used by BFC in undertaking on-farm methane abatement trials on dairy farms (refer to the sustainability section of this Report).
- **Integration of Near Infra-Red Scanning Device**
  In conjunction with satellite company, D-Cat, soil carbon consultancy, farm lab and analytical laboratory, Adelaide Microscopy, a trial project was put together to integrate a Near Infra-Red Scanning with the OZIRIS block chain technology to provide a relatively cheap and quick assessment of soil carbon on dairy farms as part of the National Soil Carbon Innovation Challenge.

This project followed on from the work done with a Singaporean Halal meat importer, as reported in last year's Annual Report, where a portable OZIRIS Near-Infra-Red Scanner device was used to demonstrate the real time verification (and certification) of meat products, for cultural purposes. Beston Technologies was awarded a provisional patent for its real time near-infra-red (NIR) portable device, thereby further extending the Beston Technology patent portfolio.

In support of its previous successes in enabling faster sorting of plastic refuse into recycling and non-recycling bales for re-use, Beston Technologies has undertaken work with Dairy Australia's sustainable packaging working group on the recycling of materials in the dairy industry and with the Dairy Manufacturers Sustainability Council (DMSC) in the preparation of its Environmental Scorecards (particularly in relation to plastic suited for circular use and food waste).

Working with Australia Dairy Farmers (ADF), Beston Technologies has also participated in a project designed to track-and-trace perishable dairy goods. The project undertook an audit and gap analysis of the dairy supply chain against the "Australian Dairy Traceability Guideline" to improve efficiency and transparency in the supply chain.

As a result of the various refinements made to the IP and technology platforms, the OZIRIS technology now has 7 modules which enable real time verification of products for authenticity and provenance at low cost and high precision:

- OZIRIS Data Store
  (In the cloud azure data base)
- Sure Scan NIR (Near-Infra-Red)
  (Infield hand held device for optical identification)
- Sure Scan Raman
  (Broad spectrum identification device)
- Sure Scan Flor
  (Specific spectrum florescence identification device)
- Sure Trace
  (Provenance verification using GSI Australia compliant identifiers)
- Sure ID
  (Packaging traceability using GSI Australia barcodes)
- Sure Smart Pay
  (Financial payments using the OZIRIS distributed ledger)

Notwithstanding these considerable achievements, Beston Technologies has, to date, not been successful in securing Software-as-a-Service or licencing income for the use of the technology from other companies. A wide variety of potential customers have expressed interest in using the technologies but none have thus far been prepared to commit to a pay-for-use contract. It is clear that insufficient pressure exists from consumers to force the adoption of our track-and-trace technologies.

Accordingly, the Company has made a decision to discontinue the business of Beston Technologies to conserve funds for further investment in our core dairy business while exploring prospects for the divestment of the business to appropriate parties who have an interest in taking the technology forward.

Risk Management

The risk profile of BFC is constantly evolving and the application of the risk register and framework ensures risks are identified and mitigation plans are developed. The development and implementation of risk mitigation plans ensures the business is delivering continual improvement, with resources deployed based on risk priority.

BFC's executive team is responsible for ensuring an active and integrated risk management approach to ensure strategic and operational risks are identified, assessed and treated appropriately and in line with the approved risk appetite of the BFC Board. The management team reports regularly to the Audit and Risk Committee (ARC) and the Board on the risk profile of the organisation and the treatment plans to manage them. The ARC is also responsible for overseeing the Group's risk management. The Board reviews the Group's risk management framework to satisfy itself that this framework continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board.

In October 2022 the Group commissioned a Risk Review report. This enterprise-wide risk report sought to provide recommendations to further mature the enterprise risks management, with an analysis of the major risks BFC is currently facing together with existing management controls.

The key strategic risks include:

Risk	Description	Mitigation
Access to funding	To continue as a going concern, the Group requires the ongoing support of it's bankers or other financiers.	• Successfully completed debt tender process • Introduced an additional financier • Increased limit of Invoice Finance Facility and extended term to 3 years • Ongoing support from independent finance consultant
Workplace Health and Safety	The health, safety and wellbeing of our people remains our highest priority. BFC recognises the importance of ensuring our people stay safe through closely managing existing risks and being proactive with emerging risks.	• Systems and processes in place to identify, report, investigate, control and monitor health and safety risks across the business • Capital initiatives to reduce safety risks • Safety performance is a Board priority and regular reporting is maintained
Business Model / Change Management	Business resilience and efficiencies are generated through plant transformation projects in order to meet business objectives.	• Change management planning • Regular business wide communication • Adequate levels of project resourcing • Robust business plans and executional planning • Efficiency monitoring
Milk Pool	Continued decline in Australia's overall milk pool creating heightened levels of competition and driving farmgate prices up, thus reducing profitability.	• Strong farmer relationships in place • Active ongoing milk recruitment plans • Partnerships with local milk processors • Portfolio management with aim of premiumisation (retail vs. commodity) • Price review windows

Risk	Description	Mitigation
People Retention	Fail to attract and retain top talent.	• Performance review process established • Activation of corporate values • Workplace surveys • Remuneration governance • Talent review and succession planning
Maintain manufacturing reliability and performance	Potential for plant downtime or product wastage leading to reduced profitability.	• Preventative maintenance programs in place • Factory spares program in place • Industry working groups • Annual maintenance plant shutdown
Technology and cyber security	IT platforms become aged, not maintained and not upgraded on a regular basis and thus no longer able to support the business adequately. Technology platforms across the business are breached.	• Third party providers in place • IT roadmaps currently being developed • Third party monitoring of system threats • Several security focussed systems in place • Cyber security awareness training to be launched in Q2 FY24

Throughout FY24, the Company will continue to maintain the risk framework, regularly assessing existing and emerging risks to ensure resources for risk mitigation are applied to the highest priority risks.

Directors' report

The Directors present their report on the consolidated entity consisting of Beston Global Food Company Limited ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2023. Throughout the report, the consolidated entity is referred to as the Group.

Directors

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

- R N Sexton
- S Gerlach
- N Longstaff
- C Hayman
- K Reid
- J Andrew (resigned 19 August 2022)

Principal activities

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

1. Production of dairy, meat and water products for sale into local and international markets.
2. Development and production of health and well-being focused food, beverage and pharmaceutical products.
3. Development and commercialisation of end-to-end food traceability and anti-counterfeit technology.

Dividends – Beston Global Food Company Limited

There were no dividends provided for during the year ended 30 June 2023 (2022: nil).

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 12 to 17.

Significant changes in the state of affairs

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

Events since the end of the financial year

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Likely developments and expected results of operations

Refer to the Letter from the Chairman and CEO (page 4) and Review of Operations (page 12) for information on likely developments and future prospects of the Group.

Environmental regulation

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

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

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

Directors' report

Roger Sexton
AM B.Ec (Hons), M.Ec, PhD (Econ), FAICD, FAIM, S.F.Fin, C.Univ
Chair – Non-executive

Dr Roger Sexton is an investment banker and a company director. He has extensive experience in the agricultural sector, having worked for the Australian Bureau of Agricultural Economics and Industries Assistance Commission, with a particular focus on the dairy industry. Roger also has had extensive experience overseas and particularly in China and the Asia Pacific, as a result of leading trade and investment missions to the region for more than 30 years and from working on investment banking transactions in the region. Roger is actively engaged in a number of community organisations, including as Chairman and Principal Patron of the Freemasons Centre for Men's Health and Wellbeing at the University of Adelaide. Until recently, he served as President (SA/NT Division) of the Australian Institute of Company Directors and has been a member of the Australian Accounting Standards Board.

Other current directorships

KeyInvest Ltd

MindChamps Preschool Ltd

Special responsibilities

Co-Founder of Beston Global Food Company Limited

Chair of the Board

Member of the audit and risk committee

Member of the remuneration and nomination committee

Kevin Reid FCA
GAICD
Deputy Chair – Non-executive director

Kevin is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Graduate of the AICD Company Directors Course. He is a former partner of PwC in Sydney and Adelaide practicing as an assurance and transaction services specialist, with extensive international and domestic exposure to the food retail and manufacturing sector. Kevin occupied many leadership positions in both Sydney and Adelaide. He has capital markets experience working with clients listed on ASX, NASDAQ and London's AIM market. He has a passion for the for-purpose sector, and is president and chair of Meals on Wheels SA, a director of ACH Group and Can:Do Group. Kevin is an advisor and mentor to business leaders.

Former directorships in last 3 years

AML 3D Ltd (ASX: AL3)

Special responsibilities

Chair of the audit and risk committee

Stephen Gerlach
AM LL.B, FAICD
Non-executive director

Stephen Gerlach is a corporate adviser and company director. He was formerly a Partner and the Managing Partner of Finlaysons Lawyers for 23 years. Stephen is the Chancellor of Flinders University. Stephen was a Director and Chairman of Santos Ltd, and Elders Limited, and Chairman of Equatorial Mining Ltd. Stephen has also been a Director of a number of other public companies including Southcorp Holdings Ltd and companies in the United Kingdom, the USA and Chile, and has been, and continues to be, involved in many not for profit organisations including the Australian Cancer Research Foundation, the General Sir John Monash Scholarship Foundation, and Chair, Psychosis Australia Trust.

Former directorships in last 3 years

Chairman, AML3D Ltd

Special responsibilities

Co-Founder of Beston Global Food Company Limited

Member of the remuneration and nomination committee

Neil Longstaff
B.Bus, GAICD
Non-executive director

Neil Longstaff has had a career across a range of food categories. He has spent more than 20 years working at executive levels and consulting within the dairy industry, including roles as Chief Executive Officer of Kyvalley Dairy Group and General Manager, Commercial Group with Murray Goulburn Co-operative. His commercial experience in the dairy industry has included both branded and commodity products within domestic and export markets.

Prior to his career in the dairy industry, Neil held marketing and sales roles with companies including Lanes Biscuits, SPC, Heinz, Nabisco and Nicholas Kiwi.

Special responsibilities

Member of the audit and risk committee

Member of the remuneration and nomination committee

Cheryl Hayman B.Com
FAICD, FGIA
Non-executive director

Cheryl Hayman brings international experience including significant strategic and marketing expertise derived from a 20-year corporate career which spanned local and global consumer retail organisations, with an emphasis on personal products and food companies. Her skills include developing marketing and business strategy across diverse industry segments as well as understanding the manufacturing and production impact on growth orientated innovation and product development. Cheryl has expertise in traditional media and digital communications, and an ability to carve out a competitive edge for business development.

Cheryl is a Director of Ai Media Technologies Ltd (ASX:AIM) and Silk Logistics Holdings (ASX :SLH), as well as not-for-profits, Peer Support Australia and the Darlinghurst Theatre Company. She formerly served on the Digital Experts Advisory Committee for the Department of Prime Minister and Cabinet.

Other current directorships

Ai Media Technologies Ltd (ASX: AIM)

Silk Logistics Holdings (ASX: SLH)

Former directorships in last 3 years

Clover Corporation Ltd (ASX: CLV)
Hancock and Gore Ltd (ASX: HNG)
Shriro Holdings Ltd (ASX: SHM)

Special responsibilities

Chair of the remuneration and nomination committee

Company Secretary

Richard Willson, B.Acc, FCPA, FAICD

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

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

Richard is a Non-executive Director of Titomic Limited (ASX:TTT), Clara Resources Australia Limited (ASX:C7A), Thomson Resources Limited (ASX:TMZ), MedTEC Holdings Limited, and Unity Housing Company Limited; and Company Secretary of a number of ASX Listed Companies.

Richard is the Chairman of the Audit Committee of Titomic Limited, Clara Resources Australia Limited and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

Directors' report

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2023, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit and risk		Remuneration and nomination	
	A	B	A	B	A	B
R N Sexton	16	16	6	8	2	2
S Gerlach	14	16	–	–	2	3
N Longstaff	16	16	8	8	3	3
J Andrew	1	1	–	–	–	–
C Hayman	15	16	–	–	3	3
K Reid	15	16	8	8	–	–

A = Number of meetings attended

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

Remuneration Report Audited

At the 2021 AGM 51% of votes cast were against the Remuneration Report constituting a 'first strike' under the *Corporations Act 2001*.

At the 2022 AGM 45% of votes cast were against the Remuneration Report, constituting a 'second strike' under the *Corporations Act 2001.* The second strike triggers a conditional spill resolution. This resolution was not carried.

1. Remuneration report overview

The Directors of Beston present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2023. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for Beston's key management personnel (KMP):

- Non-executive directors (NEDs)
- Senior executives

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group and their movements during FY23:

Name	Position	Term as KMP
Non-executive directors		
R N Sexton	Non-executive Chairman	Full financial year
S Gerlach	Non-executive Director	Full financial year
N Longstaff	Independent Non-executive Director	Full financial year
C Hayman	Independent Non-executive Director	Full financial year
K Reid	Independent Non-executive Director	Full financial year
J Andrew	Independent Non-executive Director	Ceased 19 August 2022
Senior executives		
F Jorge	Chief Executive Officer	Full financial year
D Isherwood	Chief Manufacturing Officer	Full financial year
N Wagner	Chief Financial Officer	Ceased 31 January 2023
N Martin	Chief Financial Officer	Appointed 1 February 2023

2. Remuneration Framework

2.1 Determining executive remuneration policies and structures

At Beston, we reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance, in a way that aligns with the business strategy.

Executives receive fixed and variable remuneration consisting of short and long term incentive opportunities. Executive remuneration levels are reviewed annually by the Remuneration and Nomination Committee (RNC) of the Board with reference to the remuneration guiding principles and market movements.

Our remuneration structures seek to:

- Be competitive in the markets in which Beston operates to attract, motivate and retain high calibre employees.
- Align with our short and long-term objectives.
- Provide strong, transparent linkages between reward and business performance.

The table below provides a summary of the structure of executive remuneration FY23:

Remuneration element	Description
Total fixed remuneration 50% of total target opportunity	Total fixed remuneration (TFR) consists of base salary, allowances and superannuation contributions and is based on: • The scope and complexity of the executive's role • The executive's skills, experience and qualifications • Comparable roles in similar companies
Short-term incentive 25% of total target opportunity, payable in cash	Executives have the opportunity to earn an annual incentive award, delivered in cash. The short-term incentive (STI) recognises and rewards executives for achieving a challenging set of annual performance goals as agreed by the Board. The Board retains discretion to vary STI payments outside of the set formula to recognise overall business performance and changes in the Company's circumstances during the year.
Long-term incentive 25% of total target opportunity, settled in ordinary shares, options or performance rights	Executives have the opportunity to earn an annual incentive award in the form of performance rights, options, or shares. The objective of the long-term incentive (LTI) is to align remuneration with the creation of shareholder value over the long-term by: • Driving medium to long-term performance outcomes • Linking the interests of senior management to those of shareholders • Providing competitive rewards to attract, motivate and retain employees • Strengthening the link between remuneration and performance • Managing risk

Both the STI and LTI are assessed against a set of Key Performance Indicators (KPIs) which are set for each Executive at the start of the financial year, in conjunction with the RNC. In line with the Employee Incentive Plan (EIP) there is a financial gateway of NPBT (i.e. positive net profit before tax) set for both the STI and LTI.

Directors' report

3. Performance and executive remuneration outcomes FY23

3.1 Actual remuneration earned by executives in FY23

The actual remuneration earned by executive KMP in FY23 is set out in section 7.1 below.

3.2 Performance against STI measures

The objective of the STI is to motivate and reward achievement of annual performance against targets established by the RNC and approved by the Board. The EIP approved by shareholders at the 2021 AGM contains a financial gateway whereby no payments will be made under the EIP unless the Company is profitable (the "profit gateway") and also specifies that the Board may add additional gates from time to time.

All members of the executive team are eligible to participate in the STI award.

The KPIs are scaled with an 80%, 100% and 120% incentive for greater than expected performance.

The target STI awards that Executive KMP were eligible to receive in respect of FY23 objectives and the actual assessment for FY23 are set out in the table below.

Measure		FY23 KPI	STI Payment @80%	@100%	@120%	Weight	Actual Measure Achieved	Actual Weighted % Achieved
Milk supply	ML	155 - 175	150	155	180	15%	152	12%
Mozzarella production	MT	15,000 - 16,000	14,000	15,500	16,000	15%	15,000	12%
Lactoferrin production	MT	16 - 19	15	17	19	15%	18.4	15%
Group sales	$M	150 - 180	140	160	180	20%	183	24%
EBITDA	$M	8 - 10	5	8	10	25%	-1.7	0%
Revenue/litre milk	$/l	1.00 - 1.15	0.85	1.00	1.15	5%	1.14	5%
Capex	$M	6	6	6-8	6-8	5%	6.4	4%

Based on the profit gateway not being achieved, no STI awards were payable for FY23 under the terms of the EIP.

The Board nevertheless retains discretion to recognise the performance of executives outside of the set formula in the EIP. Accordingly, and taking into account the strong achievements made in a number of key areas of the Company's operations (e.g. milk supply, production, sales and margins) as reflected in the table above, particularly against the challenging economic circumstances during the year, the Board resolved to pay the following cash bonuses to KMP executives. Based on a review of performance against KPIs, including the information above, the Board resolved to pay a bonus equivalent to 75% of the amount which would have been payable if the profit gateway had been met.

- Fabrizio Jorge $84,560
- David Isherwood $61,875
- Nick Martin $61,880

3.3 Performance against LTI measures

The KPIs for the LTI are based on financial hurdles (60%), as below, and strategic hurdles (40%), which are currently divided between 4 key pillars:

- People and safety
- Planet (environmental objectives)
- Partners
- Operational performance

The financial hurdle for the current LTI plan has been linked to Beston's Return on Equity (ROE). ROE measures how well the Group has used shareholder funds and reinvested earnings to generate additional earnings. ROE is defined as the net profit before tax (NPBT) divided by the fair market value of equity (as independently determined by the Company's external valuers).

Based on the profit gateway not being achieved, no LTI awards were awarded for FY23 under the terms of the EIP.

4. Leadership Team

Over the past 18 months, BFC has put in place a new and highly experienced management team with over 120 years of combined global experience spanning dairy, FMCG, growth management and agribusiness.

Selecting and appointing a Chief Executive Officer (CEO) is one of the most important responsibilities of a Board of Directors. Choosing the right CEO is critical to future success. After coming out of the difficult years of the Covid-19 pandemic, the Board of BFC was methodical and deliberate in its approach to find the "right" person to be the CEO for the next stage of growth of the Company.

Fabrizio Jorge was appointed as Chief Executive Officer of Beston effective 1 April 2022 following a stellar career in the global dairy industry with Nestle, Fonterra and Bubs. The appointment of Fabrizio Jorge as CEO brought extensive global food and beverage skills and experience to the role, as well as an in-depth understanding of the market place in which we operate.

In addition to Fabrizio Jorge, BFC has made several additional appointments to Senior Management roles which have further expanded the global experience of the Senior Management Team:

- David Isherwood was appointed as Chief Manufacturing Officer, effective 26 April 2022 having spent most of his career with Fonterra Ltd in various production, management and business development roles across the world.
- Nick Martin was appointed as Chief Financial Officer on 1 February 2023. Nick is a Fellow Certified Practicing Accountant and joined BFC with over 23 years' experience across senior executive roles in financial and strategic management with major FMCG companies, including most recently the giant American food company, McCormick and Co.

These management changes have driven an increased focus on operational excellence and customer service and have been a strong endorsement of the strategic direction of BFC and the business plans put in place. The new appointments to the leadership team hit the ground running as the world emerged from the debilitating era of Covid-19 and very quickly implemented a number of revised go-to-market strategies, business development and supply chain priorities to secure a focus on sustainable and profitable growth across our various product portfolios. The Board is of the view that we have one of the most competent and experienced leadership teams in the dairy and food manufacturing industry in Australia. The team is totally focused and aligned on the forward objectives of the Company and is well equipped to ensure that the earnings momentum which is in train is not only continued, but can be accelerated in future periods to realise benefits for shareholders.

4.1 Remuneration for FY24 and beyond

In order to ensure the continuing service of the Company's senior executives, and that the Leadership Team remains intact over the next two years, in August 2023, the Board approved and resolved to issue Service Rights as a retention incentive under the provisions of the BFC EIP for no consideration. The Board considers that this decision is in the best interests of the Company, and the best interests of shareholders.

Directors' report

4.2 Service Rights for FY24 and beyond

The Service Rights to be issued, and the vesting conditions, are as follows:

1. Service Rights to vest if Executives remain employed at 30 June 2024:

- Fabrizio Jorge 1,510,000
- David Isherwood 1,470,000
- Nick Martin 1,470,000

2. Service Rights to vest if Executives remain employed at 30 June 2025:

- Fabrizio Jorge 1,510,000
- David Isherwood 1,470,000
- Nick Martin 1,470,000

The Board at its discretion may choose to satisfy conversion of the Service Rights by the issue of new shares or purchase on market at the time of vesting.

5. Remuneration Governance

5.1 Remuneration decision making

The following diagram represents the Group's remuneration decision making framework:

Board

Review and approval

Remuneration and Nomination Committee (RNC)

Executive & NED remuneration outcomes

Company Secretary, CEO, Director People and Culture

Reports and updates

Remuneration advisors

External and independent remuneration advice and information

The RNC is comprised solely of NEDs. During FY23, the members of the RNC were Ms Joanna Andrew (Chairperson until 19 August, 2022) Ms Cheryl Hayman (Chairperson from 20 August, 2022), Dr Roger Sexton AM, Mr Stephen Gerlach AM and Mr Neil Longstaff.

The Board considers that the members of the RNC provide an appropriate mix of skills to undertake the terms of reference, having regard to qualifications, knowledge of the financial, agricultural and food service industries and experience in strategic remuneration management.

5.2 Use of remuneration consultants

To ensure that it is fully informed when making remuneration decisions, the RNC receives reports and updates from the Company Secretary, the CEO and Director, People and Culture. From time to time, external remuneration consultants may be used, enabling the RNC to obtain independent advice and gain access to benchmarking material and market analysis.

Remuneration consultants are engaged directly by, and report to the Remuneration Committee. In selecting remuneration consultants, the Remuneration Committee takes into account potential conflicts of interest and requires independence from Beston's management. The advice and recommendations of external consultants are used as a guide, but do not serve as a substitute for thorough consideration of the issues by the RNC. Remuneration consultants were engaged during 2022 to assist with the design and structure of the Executive Incentive Scheme.

5.3 Share trading policy

The Group Securities Trading Policy, published on the Company's website, provides information to all employees, directors, contractors and consultants as to the requirements in relation to dealing in the securities of the Company and the insider trading provisions of the Corporations Act 2001. Subject to prior approval, KMP are permitted to deal in BFC securities throughout the year, except during the 'prohibited periods' identified in the policy.

5.4 Executive employment agreements

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives for FY23:

Executive KMP	Base salary	Superannuation contributions	Rental allowance	Total fixed remuneration
CEO	451,000	47,355	30,000	528,355
CFO	330,000	34,650	–	364,650
CMO	300,000	25,292	30,000	355,292

CPI or other appropriate inflation indexes are applied to executive KMP base salaries annually as determined by the Board.

In addition to the above fixed remuneration, executives are entitled to participate in the STI and LTI plans described in section 3 of this report. They are also entitled to participate in any discretionary remuneration such as service rights and cash bonuses.

Termination provisions

The following termination provisions apply to executive KMP:

Executive KMP	Resignation	Termination for cause	Termination payment
CEO, CFO and CMO	3 months	No notice	With cause – nil Without cause – 3 months In the event of a change of control, takeover or sale of the Company - 6 months

6. Non-executive remuneration

Beston's NED remuneration policy is designed to attract and retain high calibre Directors who can discharge the roles and responsibilities required. The fees paid to Directors is limited by a pool approved by shareholders, as below which has remained unchanged since 2015. NEDs receive Director's fees only and do not participate in any performance-related incentive awards. NEDs do not currently receive additional fees for participation in any committees.

The table below summarises Board fees payable to NEDs as at 30 June 2023:

Board fees	Annual fee inclusive of superannuation
Chairman	75,000
NED	50,000

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs.

In addition to earning a Director's fee, NEDs may also be paid for the performance of special duties or services outside the scope of the ordinary duties of a director.

Maximum aggregate NED fee pool

NED fees are determined within an aggregate NED fee pool limit. The maximum aggregate amount that may be paid to NEDs for their services is currently $350,000 per annum in total, as approved by shareholders.

Directors' report

7. Statutory and share-based reporting

7.1 Executive KMP remuneration for the years ended 30 June 2023 and 30 June 2022

		Short-term benefits				Post-employment benefits		
Name	Year	Salary $	Incentives and bonuses $	*Allowances $	Movement in leave accruals $	Superannuation contributions $	Total $	Performance related %
F Jorge	2023	451,000	84,560	30,000	7,153	47,355	620,068	13.64
	2022	110,000	100,000	7,500	11,565	11,000	240,065	41.65
D Isherwood	2023	300,000	61,875	30,000	8,032	25,292	425,199	14.55
	2022	54,615	75,000	5,462	4,568	3,928	143,573	52.23
N Martin	2023	137,500	61,880	–	10,578	14,437	224,395	27.58
	2022	–	–	–	–	–	–	–
N Wagner**	2023	280,574	–	–	(35,542)	25,728	270,760	–
	2022	178,692	68,750	24,000	14,870	20,447	306,759	22.41
D Flew	2023	–	–	–	–	–	–	–
	2022	230,026	–	–	–	16,940	246,966	–

* F Jorge and D Isherwood receive rental allowances. N Wagner received an allowance for acting in the role of CFO during FY22, prior to his appointment as CFO.

** N Wagner's salary includes a termination payment of $63k and $35.5k of unused annual leave paid out.

7.2 NED remuneration for the years ended 30 June 2023 and 30 June 2022

		Short-term benefits	Post-employment benefits	
Name	Year	Board fees $	Superannuation contributions $	Total $
R N Sexton	2023	62,624	6,576	69,200
	2022	60,000	6,000	66,000
S Gerlach	2023	41,749	4,384	46,133
	2022	40,000	4,000	44,000
N Longstaff	2023	41,749	4,384	46,133
	2022	40,000	4,000	44,000
C Hayman	2023	41,749	4,384	46,133
	2022	34,102	3,410	37,512
K Reid	2023	41,749	4,384	46,133
	2022	20,000	2,000	22,000
J Andrew	2023	6,667	700	7,367
	2022	40,000	4,000	44,000

Cheryl Hayman was appointed on 5 August 2021 and Kevin Reid was appointed on 31 January 2022. Joanna Andrew resigned on 19 August 2022. NED remuneration was increased effective 1 October 2022. Current annual amounts are disclosed in note 6.

7.3 Reconciliation of ordinary shares held by KMP

Shareholdings	Balance at the start of the period on date of becoming KMP	Shares purchased during the period	STI shares awarded*	Shares sold/ transferred	Balance at the end of the period or date ceasing to be KMP
2023					
Current KMP					
R N Sexton	41,605,288	3,577,855	–	**(21,403,143)	23,780,000
S Gerlach	23,739,074	5,722,442	–	–	29,461,516
N Longstaff	460,846	460,846	–	–	921,692
C Hayman	500,000	500,000	–	–	1,000,000
K Reid	–	420,000	–	–	420,000
F Jorge	43,200	2,801,000	1,036,270	–	3,880,470
D Isherwood	217,392	2,057,200	777,200	–	3,051,792
N Martin	262,632	–	–	–	262,632
Total	**66,828,432**	**15,539,343**	**1,813,470**	**(21,403,143)**	**62,778,102**
Former KMP					
J Andrew	–	–		–	–
N Wagner	52,890	2,000,000	712,435	–	2,765,325
Total	**52,890**	**2,000,000**	**712,435**	**–**	**2,765,325**

The balances also reflect the balance at the date of the Directors' Report, with the exception of N Wagner who sold the balance of his shares on 26 May 2023.

*The shares issued during FY23 were in relation to the FY22 KMP bonus.

**As part of a family restructure, R N Sexton ceased to hold a relevant interest in the shares held by Blue Ridge Holdings Pty Ltd as disclosed in the Change of Director's Interest Notice lodged with the ASX on the 8th of December 2022. The change in relevant interest did not involve the sale of these shares.

Directors' report

7.4 Loans to key management personnel

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

7.5 Other transactions with key management personnel

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

This is the end of the remuneration report.

Shares under options and share rights

(a) Unissued ordinary shares

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

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

There are unissued ordinary shares under share rights granted to key management personnel of the Company since the end of the financial year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Beston Global Food Company Limited paid premiums with respect to a contract to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group. The insurance contract prohibits disclosure of the liability's nature and the amount of the insurance premium.

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

(b) Indemnity of auditor

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

Proceedings on behalf of the company

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

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

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

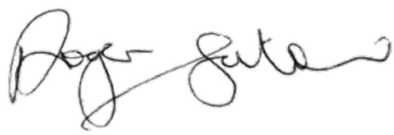
Ernst & Young Australia received, or are due to receive, the following amounts for provisions of non-audit services:

	30 June 2023 $'000	30 June 2022 $'000
Fees for non-audit services		
Tax compliance services	43	39
Due diligence services	90	–
Blockchain services	–	101
Total remuneration for non-audit services	**133**	**140**

Rounding of amounts

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

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



R N Sexton
Chairman

Adelaide
29 September 2023

Auditor's independence declaration

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's independence declaration to the directors of Beston Global Food Company Limited

As lead auditor for the audit of the financial report of Beston Global Food Company Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Beston Global Food Company Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

L A Carr
Partner
Adelaide
29 September 2023

Beston Global Food Company Limited
ABN 28 603 023 383

Annual financial report

for the year ended 30 June 2023

Financial statements

These financial statements are the consolidated financial statements for the Group consisting of Beston Global Food Company Limited and its subsidiaries. A list of subsidiaries is included in note 13.

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
Ground floor, 84 Greenhill Road
Wayville SA 5034

Its principal place of business is:

Beston Global Food Company Limited
Ground floor, 84 Greenhill Road
Wayville SA 5034

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations on page 12 and in the directors' report on page 30, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on the 29th September 2023. The Directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income
For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000 Restated
Continuing operations			
Sale of goods	2	169,538	126,771
Other revenue	2	37	36
		169,575	**126,807**
Other income	3(a)	323	90
Expenses			
Cost of goods sold	3(b)	(143,266)	(117,288)
Other expenses from ordinary activities			
Operating overheads	3(b)	(16,459)	(14,349)
Selling and distribution	3(b)	(5,290)	(4,216)
Corporate overheads and business support	3(b)	(12,697)	(10,867)
Loss from operations		**(7,814)**	**(19,823)**
Finance income	3(c)	136	11
Finance expenses	3(c)	(3,962)	(1,126)
Net finance expense		**(3,826)**	**(1,115)**
Loss before income tax		(11,640)	(20,938)
Income tax (expense)/benefit	5(a)	(29,795)	2,998
Loss after tax for the period from continuing operations		**(41,435)**	**(17,939)**
Discontinued operations			
Loss after tax for the period from discontinued operations	4(a)	(6,056)	(3,786)
Loss for the period		**(47,491)**	**(21,726)**
Item that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations	9(b)	36	(21)
Other comprehensive gain for the period, net of tax		**36**	**(21)**
Total comprehensive loss or the period		**(47,455)**	**(21,747)**
Loss is attributable to:			
Owners of Beston Global Food Company Limited		(48,857)	(21,725)
Non-controlling interests		1,366	(1)
		(47,491)	**(21,726)**
Total comprehensive loss for the period is attributable to:			
Owners of Beston Global Food Company Limited		(48,821)	(21,746)
Non-controlling interests		1,366	(1)
		(47,455)	**(21,747)**
Loss per share attributable to the ordinary equity holders		Cents	Cents
Basic loss per share from continuing operations		(2.70)	(2.09)
Basic loss per share from discontinued operations		(0.39)	(0.44)
		(3.09)	(2.53)
Diluted loss per share from continuing operations		(2.70)	(2.09)
Diluted loss per share from discontinued operations		(0.39)	(0.44)
		(3.09)	(2.53)

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

Consolidated balance sheet
As at 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Current assets			
Cash and cash equivalents	6(a)	230	322
Trade and other receivables	6(b)	20,896	16,660
Prepayments	6(c)	1,209	2,209
Inventories	7(c)	18,397	18,117
		40,732	37,308
Assets held for sale	4(b)	12,821	–
		53,553	**37,308**
Non-current assets			
Receivables	6(b)	–	150
Right-of-use assets	6(d)	630	21
Property, plant and equipment	7(a)	48,878	57,192
Deferred tax assets	7(d)	–	31,801
Intangible assets	7(b)	1,195	5,071
		50,703	**94,235**
Total assets		**104,256**	**131,543**
Current liabilities			
Trade and other payables	6(e)	20,607	17,896
Unearned revenue		348	–
Financial liabilities	7(f)	20,619	24,292
Employee benefit obligations	7(e)	1,359	1,256
		42,933	43,444
Liabilities directly associated with assets held for sale	4(b)	3,467	–
		46,400	**43,444**
Non-current liabilities			
Financial Liabilities	6(f)	24,404	31,762
Employee benefit obligations	7(e)	68	184
Deferred tax liabilities	7(d)	–	2,006
		24,472	**33,952**
Total liabilities		**70,872**	**77,396**
Net assets		**33,384**	**54,147**
Contributed equity	9(a)	203,272	176,580
Other reserves	9(b)	(8,340)	(8,376)
Accumulated losses	9(c)	(162,115)	(113,258)
		32,817	**54,946**
Non-controlling interests		567	(799)
Total equity		**33,384**	**54,147**

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

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Notes	Attributable to the owners of Beston Global Food Company Limited					
		Share capital $'000	Other reserves $'000	Accum losses $'000	Total $'000	NCI $'000	Total equity $'000
Balance at 1 July 2021		**174,636**	**(6,411)**	**(91,533)**	**76,692**	**(798)**	**75,894**
Loss for the period		–	–	(21,725)	(21,725)	(1)	(21,726)
Other Comprehensive Income	9(b)	–	(21)	–	(21)	–	(21)
Total Comprehensive income for the period		–	(21)	(21,725)	(21,746)	(1)	(21,747)
Issue of share capital		1,944	(1,944)	–	–	–	–
As at 30 June 2022		**176,580**	**(8,376)**	**(113,258)**	**54,946**	**(799)**	**54,147**
Balance at 1 July 2022		**176,580**	**(8,376)**	**(113,258)**	**54,946**	**(799)**	**54,147**
Loss for the period		–	–	(48,857)	(48,857)	1,366	(47,491)
Other Comprehensive Income	9(b)	–	36	–	36	–	36
Total Comprehensive income for the period		–	36	(48,857)	(48,857)	1,366	(47,455)
Issue of share capital	9(a)	26,692	–	–	26,692	–	26,692
As at 30 June 2023		**203,272**	**(8,340)**	**(162,115)**	**32,817**	**567**	**33,384**

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

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers		178,065	139,143
Payments to suppliers and employees		(183,823)	(157,756)
Interest paid		(4,157)	(1,209)
Net cash outflows from operating activities	10(a)	**(9,915)**	**(19,822)**
Cash flows from investing activities			
Payments for PP&E	7(a)	(6,032)	(5,202)
Payments for intangibles	7(b)	(732)	(616)
Proceeds on disposal of NBI		–	1,200
Net cash outflows from investing activities		**(6,764)**	**(4,618)**
Cash flows from financing activities			
Proceeds from the issue of shares	9(a)	26,397	–
Proceeds from borrowings		7,896	23,060
Repayment of borrowings		(17,497)	(244)
Payment of lease liabilities		(442)	134
Proceeds from government grants		80	900
Cash inflows from financing activities		**16,433**	**23,850**
Net decrease in cash and cash equivalents		**(246)**	**(590)**
Cash and cash equivalents at the beginning of the period		322	922
Net foreign exchange differences		172	(10)
Cash and cash equivalents at the end of period	6(a)	**248**	**322**
Comprising			
Cash included in assets held for sale		18	–
Cash and cash equivalents at the end of period		230	322
Total cash and cash equivalents at the end of the period		**248**	**322**

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

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements
For the year ended 30 June 2023

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. Two of those segments now form part of discontinued operations. The continuing segments of the business are:

- The Australian Dairy segment which owns production plants and uses milk to produce cheese and other dairy products.
- The Corporate segment provides business support to the operating segments.

b. Segment results

The segment information for the year ended 30 June 2023 and the year ended 30 June 2022 provided to the executive management committee for the reportable segments, including segment assets and liabilities, are as follows:

2023	**Australian Dairy $'000**	**Corporate $'000**	**Total Continuing Operations $'000**	**Discontinued Operations $'000**	**Total $'000**
Revenue					
Contracts with domestic customers	126,051	–	126,051	13,055	139,106
Contracts with international customers	43,487	–	43,487	–	43,487
Other revenue	37	–	37	12	49
Other income	248	75	323	7	330
Finance income	136	–	136	–	136
Total revenue	**169,959**	**75**	**170,034**	**13,074**	**183,108**
Expenses					
Cost of Sales	(143,266)	–	(143,266)	(11,316)	(154,582)
Other operating costs	(16,389)	(70)	(16,459)	(2,262)	(18,721)
Selling and distribution	(5,290)	–	(5,290)	(171)	(5,461)
Business support	(5,113)	(7,583)	(12,696)	(1,227)	(13,923)
Finance costs	–	(3,963)	(3,963)	(194)	(4,157)
Impairment expense	–	–	–	(3,960)	(3,960)
Total expenses	**(170,058)**	**(11,616)**	**(181,674)**	**(19,130)**	**(200,804)**
Loss for the period before tax	**(99)**	**(11,541)**	**(11,640)**	**(6,056)**	**(17,696)**
Total segment assets including assets held for sale	89,418	8,337	97,755	6,501	104,256
Capital expenditure	4,413	753	5,166	1,597	6,764
Total segment liabilities	(61,872)	(5,533)	(67,405)	(3,467)	(70,872)

Notes to the consolidated financial statements

For the year ended 30 June 2023

1 Segment information (continued)

b. Segment results (continued)

2022 Restated	Australian Dairy $'000	Australian Meat $'000	Australian Other $'000	International Other $'000	Corporate $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Total $'000
Revenue								
Contracts with domestic customers	99,671	–	–	–	–	99,671	12,935	112,606
Contracts with international customers	27,100	–	–	–	–	27,100	–	27,100
Other revenue	36	–	–	–	–	36	12	48
Other income	90	–	–	–	–	90	23	113
Finance income	8	–	–	–	3	11	–	11
Total revenue	**126,905**	**–**	**–**	**–**	**3**	**126,908**	**12,970**	**139,878**
Expenses								
Cost of Sales	(117,288)	–	–	–	–	(117,288)	(11,843)	(129,131)
Other operating costs	(14,118)	–	–	–	(420)	(14,538)	(2,171)	(16,709)
Selling and distribution	(4,216)	–	–	–	–	(4,216)	(149)	(4,365)
Business support	(5,207)	–	–	–	(5,471)	(10,678)	(1,493)	(12,171)
Impairment	–	–	–	–	–	–	(2,000)	(2,000)
Finance costs	–	–	–	–	(1,126)	(1,126)	(83)	(1,209)
Total expenses	**(140,829)**	**–**	**–**	**–**	**(7,017)**	**(147,846)**	**(17,739)**	**(165,585)**
Loss for the period before tax	**(13,924)**	**–**	**–**	**–**	**(7,014)**	**(20,938)**	**(4,769)**	**(25,707)**
Total segment assets; including	80,213	9,735	2,166	150	39,279	–	–	131,543
Capital expenditure	4,950	219	2	–	–	–	–	5,171
Total segment liabilities	(65,898)	(5,065)	(422)	(32)	(5,979)	–	–	(77,396)

2 Revenue

The Group derives the following types of revenue:

	30 June 2023 $'000	30 June 2022 $'000
Contracts with customers	169,538	126,771
Leasing income	37	36
Total revenue	**169,575**	**126,807**

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

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. rebates, case deals).

(b) Disaggregation of revenue from contracts with customers

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

Sale of goods

	30 June 2023 $'000	30 June 2022 $'000
2023	**Dairy**	**Total**
Australia	126,051	99,671
Asia	36,439	22,169
Europe	4,196	2,001
North America	2,852	2,930
Total	**169,538**	**126,771**

3 Other income and expense items

	Notes	30 June 2023 $'000	30 June 2022 $'000
(a) Other operating income			
Other items		244	76
Government grants		79	14
		323	**90**
(b Breakdown of expense by nature			
Cost of inventories recognised as an expense		125,807	99,818
Employee benefits expense		21,924	20,052
Depreciation and amortisation	7(a), 7(b)	3,712	3,639
Management fee		-	553
Other expenses		3,803	3,334
Consultancy expenses		2,015	1,591
Short term & low value lease expense		254	562
Rates and taxes		106	171
Repairs and maintenance		3,720	3,743
Insurance expenses		3,423	2,775
Logistics and marketing expenses		12,948	10,481
		177,712	**146,720**
(c) Finance income and costs			
Net exchange gains		136	11
Finance charges paid for financial liabilities		(3,962)	(1,126)
Net finance costs		**(3,826)**	**(1,115)**

Notes to the consolidated financial statements
For the year ended 30 June 2023

4 Discontinued Operations

On 22 June 2023, Beston Global Food Company Limited (ASX: BFC) (the Group) publicly announced the decision of its Board of Directors to discontinue and divest its Provincial Food Group (PFG) and plant-based meats secondary process business, its Aquaessence water assets business and its Technology business.The results of the discontinued businesses are presented below:

(a) The income statement amounts classified as discontinued operations are as follows:

2023	Provincial Food Group $'000	Aquaessence Pty Ltd $'000	Beston Technologies Pty Ltd $'000	Total $'000
Sale of goods	12,915	140	–	13,055
Other revenue	–	12	–	12
	12,915	152	–	13,067
Other income	7	–	–	7
Expenses:				
Cost of goods sold	(11,131)	(185)	–	(11,316)
Operating overheads	(1,731)	(183)	(348)	(2,262)
Selling and distribution	(147)	(24)	–	(171)
Corporate overheads and business support	(1,325)	213	(115)	(1,227)
Loss from operations	(1,412)	(28)	(463)	(1,902)
Finance costs	(193)	(1)	–	(194)
Impairment of goodwill	(2,828)	–	–	(2,828)
Impairment of intangible assets	–	–	(1,131)	(1,131)
Loss before tax from discontinued operations	(4,433)	(29)	(1,594)	(6,056)
Tax benefit	–	–	–	–
Loss for the year from discontinued operations	**(4,433)**	**(29)**	**(1,594)**	**(6,056)**

2022	Provincial Food Group $'000	Aquaessence Pty Ltd $'000	Beston Technologies Pty Ltd $'000	Total $'000
Sale of goods	12,782	153	–	12,935
Other revenue	–	12	–	12
	12,782	165	–	12,947
Other income	–	24	–	24
Expenses:				
COGS	(11,749)	(94)	–	(11,843)
Operating overheads	(1,870)	(150)	(150)	(2,171)
Selling and distribution	(121)	(26)	(2)	(149)
Corporate overheads and business support	(1,441)	(26)	(27)	(1,493)
Loss from operations	(2,399)	(108)	(179)	(2,686)
Finance costs	(83)	(0)	–	(83)
Impairment of goodwill	(2,000)	–	–	(2,000)
Loss before tax from discontinued operations	(4,482)	(108)	(179)	(4,769)
Tax benefit	822	107	54	983
Profit/(loss for the year from discontinued operations	(3,659)	(1)	(125)	(3,786)

(b) The major classes of assets and liabilities classified as held for sale as at 30 June 2023 are as follows:

2023	Provincial Food Group $'000	Aquaessence Pty Ltd $'000	Total $'000
Assets			
Cash	11	7	18
Trade receivables	528	21	549
Property, plant and equipment	9,520	952	10,472
Intangible assets	2	205	207
Other receivables	274	5	279
Inventories	1,281	15	1,295
Assets held for sale	11,617	1,204	12,821
Liabilities			
Creditors	808	6	814
Financial liabilities	2,340	–	2,340
Other payables	157	38	196
Employee benefits	115	2	117
	3,420	47	3,467
Net assets directly associated with disposal group	8,196	1,157	9,354

Beston Technologies had no assets or liabilities as at 30 June 2023.

(c) The net cash flows incurred by Provincial Food Group Ptd Ltd are as follows:

2023	Provincial Food Group $'000
Operating	(1,175)
Investing	(856)
Financing	1,852
Net cash (outflow)	**(179)**

Aquaessence Pty Ltd and Beston Technologies Pty Ltd were funded by Beston Global Food Company Limited.

Notes to the consolidated financial statements
For the year ended 30 June 2023

5 Income taxes

(a) Income taxes

	Notes	30 June 2023 $'000	30 June 2022 $'000
Current tax			
Current tax		–	–
Total current tax expense		–	–
Deferred income tax			
Increase in deferred tax assets	7(d)	–	(4,295)
Increase in deferred tax liabilities	7(d)	–	293
Other adjustment		–	21
Derecognition of net deferred tax assets		29,795	–
Total deferred tax expense/(benefit)		29,795	(3,981)
Income tax expense/(benefit)		29,795	(3,981)

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

	Notes	30 June 2023 $'000	30 June 2022 $'000
Loss from continuing operations before income tax		(17,696)	(25,707)
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)		(5,309)	(7,712)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Impairment of Provincial Food Group		849	600
Impairment of intangible assets		339	–
Derecognition of foreign tax losses		102	(233)
Derecognition of current year tax losses		4,019	3,264
Derecognition of opening deferred tax assets		29,795	–
Sundry items		–	100
Income tax expense/(benefit)		**29,795**	**(3,981)**

(c) Tax losses

	Notes	30 June 2023 $'000	30 June 2022 $'000
Unused tax losses for which no deferred tax asset has been recognised		128,563	24,831
Potential tax benefit @ 30.0%		**38,569**	**7,449**

In FY23, due to challenging macro-economic conditions and inflationary cost pressures impacting on utilities (gas, electricity, chemicals) and insurance costs, as well as industry challenges impacting milk supply and consequently milk costs, the Company has reassessed and revised downwards its short to medium forecasts. As a result, the Company considers that it is less likely that sufficient future taxable income will be generated to support the recoverability of the deferred tax asset (DTA) that has been recognised, within the next 5 years in line with Company policy. The DTA therefore has been de-recognised, with the booked DTA being limited to the extent of available deferred tax liabilities (DTL).

6 Financial assets and financial liabilities

(a) Cash and cash equivalents

	30 June 2023 $'000	30 June 2022 $'000
Cash at bank and in hand	230	322

(b) Trade and other receivables

	30 June 2023			30 June 2022		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	18,659	–	18,659	14,270	–	14,270
Provision for impairment	(57)	–	(57)	(143)	–	(143)
	18,602	**–**	**18,602**	**14,127**	**–**	**14,127**
Other receivables	713	–	713	883	150	1,033
Goods and services tax (GST) receivable	1,581	–	1,581	1,650	–	1,650
	20,896	**–**	**20,896**	**16,660**	**150**	**16,810**

(i) Trade and other receivables

If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 21(n). This category generally applies to trade and other receivables.

(ii) Fair value of trade and other receivables

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

(iii) Impairment and risk exposure

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

(c) Prepayments

	30 June 2023		30 June 2022	
	Current $'000	Total $'000	Current $'000	Total $'000
Prepayments	1,209	**1,209**	2,209	**2,209**

Notes to the consolidated financial statements
For the year ended 30 June 2023

6 Financial assets and financial liabilities (continued)

(d) Leases

Group as a Lessee

The group entered into a lease contract for the property used for its head office on 1 September 2022. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	Property $'000
As at 1 July 2021	155
Additions	–
Depreciation Expense	(134)
As at 30 June 2022	**21**
As at 1 July 2022	21
Additions	837
Depreciation Expense	(228)
As at 30 June 2023	**630**

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

	30 June 2023 $'000	**30 June 2022 $'000**
Depreciation of right-of-use assets	228	124
Interest expense on lease liabilities	52	–
Short term lease expense (Corporate overheads and business support)	254	562
	534	**686**

(e) Trade and other payables

	30 June 2023 $'000	**30 June 2022 $'000**
Current liabilities		
Trade payables	17,115	15,599
Goods and service tax (GST) payable	307	536
Accrued expenses	2,932	763
Payroll liabilities	191	610
Other creditors	62	388
	20,607	**17,896**

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.

(f) Financial liabilities

	Notes	30 June 2023 $'000	30 June 2022 $'000
Current financial liabilities: loans and borrowings		11,173	15,988
Current financial liabilities: other		9,445	8,304
Current financial liabilities		**20,619**	**24,292**
Non-current financial liabilities: loans and borrowings		23,650	31,762
Non-current financial liabilities: other		755	–
Non-current financial liabilities		**24,404**	**31,762**

		Interest rate %	Maturity	30 June 2023 $'000	30 June 2022 $'000
Financial liabilities: loans and borrowings					
Current					
Overdraft		8.47%	July 2024	9,830	2,990
Hire purchase facility		3.56%	December 2025	102	101
Hire purchase facility		4.91%	September 2029	823	957
Hire purchase facility*		4.59%	April 2028	–	321
Term loan		BBSY + 2.15%	July 2024	–	11,200
Property mortgage		BBSY + 2.05%	November 2024	418	419
				11,173	**15,988**
Non-current					
Hire purchase facility		3.56%	December 2025	160	252
Hire purchase facility		4.91%	September 2029	3,247	3,742
Hire purchase facility*		4.59%	April 2028	–	312
Term loan		BBSY + 2.15%	July 2024	18,500	23,300
Term loan*		BBSY + 2.05%	November 2024	–	1,996
Property mortgage		BBSY + 2.05%	November 2024	1,743	2,160
				23,650	**31,762**
Total financial liabilities: loans and borrowings				**34,823**	**47,749**
Financial liabilities: other					
Current					
Office lease liability		6.00%	August 2027	197	41
Insurance premium funding		2.49%	October 2023	751	805
Deposits on sale of trade debtors	6(g)	9.46%	July 2024	8,498	7,459
				9,445	**8,305**
Non-current					
Office lease liability		6.00%	August 2027	755	–
				755	**–**
Total financial liabilities: other				**10,200**	**8,305**

* Borrowings included in discontinued operations at 30 June 2023.

(g) Transferred financial assets that are not derecognised in their entirety

	Notes	30 June 2023 $'000	30 June 2022 $'000
Securitisations			
Carrying amount of transferred assets within trade receivables	6(b)	8,498	7,459
Carrying amount of associated liabilities	6(f)	(8,498)	(7,459)
Net position		–	–

A subsidiary company, Beston Pure Dairies Pty Ltd (BPD) , has entered into an arrangement to sell a portion of its trade debtors to a financial institution at a value that reflects a discount to the face value of the debtor amounts. The arrangement is part of the effective management of the Group's working capital needs.

Under the arrangement, BPD receives 80% of the face value of the debtors amounts on sale to the financial institution in the form of a deposit. The remainder, net of the fair value discount, is received from the financial institution typically 45-60 days after the sale of the debtors. The credit risk of the underlying trade debtors, and the ongoing customer relationship, is retained by BPD.

Notes to the consolidated financial statements
For the year ended 30 June 2023

7 Non-financial asset and liabilities

(a) Property, plant and equipment

	Capital Work in Progress $'000	Land & buildings $'000	Buildings & property improvements $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
At 1 July 2021							
Cost or fair value	–	10,353	120	50,981	633	724	62,811
Accumulated depreciation	–	–	(13)	(6,751)	(306)	(198)	(7,268)
Net book amount	**–**	**10,353**	**107**	**44,230**	**327**	**526**	**55,543**
Year ended 30 June 2022							
Opening net book amount	–	10,353	107	44,230	327	526	55,543
Additions	–	–	51	5,026	124	–	5,202
Disposals	–	–	–	–	–	–	–
Assets classified as held for sale and other disposals	–	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–	–
Depreciation charge	–	–	(12)	(3,392)	(62)	(88)	(3,553)
Closing net book amount	**–**	**10,353**	**147**	**45,865**	**389**	**438**	**57,192**
At 30 June 2022							
Cost or fair value		10,353	171	56,007	757	724	68,013
Accumulated depreciation		–	(25)	(10,143)	(368)	(286)	(10,821)
Net book amount	**–**	**10,353**	**147**	**45,865**	**389**	**438**	**57,192**
At 1 July 2022							
Cost or fair value	–	10,353	171	56,007	757	724	68,013
Accumulated depreciation	–	–	(25)	(10,143)	(368)	(286)	(10,821)
Net book amount	**–**	**10,353**	**147**	**45,865**	**389**	**438**	**57,192**
Year ended 30 June 2023							
Opening net book amount	–	10,353	147	45,865	389	438	57,192
Additions	1,391	–	757	3,612	91	180	6,032
Disposals	–	–	–	(56)	(1)	–	(58)
Assets classified as held for sale and other disposals	–	(6,925)	(183)	(3,275)	–	(89)	(10,472)
Impairment charge	–	–	–	–	–	–	–
Depreciation charge	–	–	(86)	(3,611)	(26)	(93)	(3,816)
Closing net book amount	**1,391**	**3,428**	**635**	**42,534**	**453**	**437**	**48,878**
At 30 June 2023							
Cost or fair value	1,391	3,428	746	56,288	785	815	63,453
Accumulated depreciation	–	–	(111)	(13,754)	(332)	(379)	(14,575)
Net book amount	**1,391**	**3,428**	**635**	**42,534**	**453**	**437**	**48,878**

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

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

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

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

(b) Intangible assets

	Goodwill $'000	Internally generated software* $'000	Customer contracts $'000	Water licences $'000	Trademarks & Patents $'000	Total $'000
At 1 July 2021						
Cost or fair value	5,919	1,619	1,758	205	–	9,501
Accumulated amortisation	–	(972)	(1,448)	–	–	(2,420)
Net book amount	**5,919**	**647**	**310**	**205**	**–**	**7,081**
Year ended 30 June 2022						
Opening net book amount	5,919	647	310	205	–	7,081
Additions	–	458	–	–	158	616
Disposals	–	–	–	–	–	–
Impairment charge	(2,000)	–	–	–	–	(2,000)
Amortisation charge	–	(337)	(289)	–	–	(626)
Closing net book amount	**3,919**	**768**	**21**	**205**	**158**	**5,071**
At 30 June 2022						
Cost or fair value	3,919	2,077	1,758	205	158	8,117
Accumulated amortisation	–	(1,309)	(1,737)	–	–	(3,046)
Net book amount	**3,919**	**768**	**21**	**205**	**158**	**5,071**
At 1 July 2022						
Cost or fair value	3,919	2,077	1,758	205	158	8,117
Accumulated amortisation	–	(1,309)	(1,737)	–	–	(3,046)
Net book amount	**3,919**	**768**	**21**	**205**	**158**	**5,071**
Year ended 30 June 2023						
Opening net book amount	3,919	768	21	205	158	5,071
Additions	–	710	–	–	22	732
Net Disposals	–	–	–	–	–	–
Assets held for sale	–	–	–	(205)	–	(205)
Impairment charge	(2,828)	(1,131)	–	–	–	(3,960)
Amortisation charge	–	(317)	(21)	–	(107)	(445)
Closing net book amount	**1,091**	**30**	**–**	**–**	**73**	**1,193**
At 30 June 2023						
Cost or fair value	1,091	1,655	1,227	–	180	4,153
Accumulated amortisation	–	(1,625)	(1,227)	–	(107)	(2,960)
Net book amount	**1,091**	**30**	**–**	**–**	**73**	**1,193**

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

(i) Amortisation methods and useful lives

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

7 Non-financial asset and liabilities (continued)

(b) Intangible assets (continued)

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

Goodwill and other indefinite life intangibles have been tested for impairment. Based on valuations undertaken of the Dairy CGU to which the goodwill relates, goodwill relating to the meat segment was impaired by $2,828,442. Refer to note 8 for further discussion relating to impairment assessments.

(c) Inventories

	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Raw material and stores	1,844	2,799
Finished goods	16,553	15,318
	18,397	**18,117**

The Group recognised inventory at the lower of net realisable value or cost. The inventory balance comprises of $5.4m (2022 – $0) of inventory held at net realisable value with the remainder held at cost.

(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 2023 amounted to $125.8m - (2022 - $119.8m). There were write-downs of inventories during the year of $0.7m (2022 - $0.4m).

(d) Deferred tax balances

(i) Deferred tax assets

	30 June 2023 $'000	30 June 2022 $'000
The balance comprises temporary differences attributable to:		
Tax losses and offsets	347	30,944
Employee benefits	428	493
Accruals	214	56
Tax only assets	111	167
Intangibles	584	269
Other	–	(128)
Total deferred tax assets	**1,684**	**31,801**

Significant estimates

As at 30 June 2023, the Group has derecognised the deferred tax asset (DTA) balance relating to carry forward losses of $29.8 million. The balance of the DTA relating to carry forward losses is only recorded to the extent that it offsets the deferred tax liability arising from temporary differences.

The losses can be carried forward indefinitely and have no expiry date.

The Group

(ii) Deferred tax liabilities

	30 June 2023 $'000	30 June 2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	1,684	1,971
Other	–	36
	1,684	**2,006**

(iii) Tax consolidation

Members of the tax consolidated group

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.

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting.

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

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

(e) Employee benefit obligations

	30 June 2023			30 June 2022		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations (i)	1,359	68	1,427	1,256	184	1,440

(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 annual leave provision 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 2023 $'000	30 June 2022 $'000
Current leave obligations expected to be settled after 12 months	136	310

8 Impairment

(a) Management analysis

The Group performed its annual impairment test in June 2022 and 2023. The Group considered the relationship between its market capitalisation and book value, among other factors, when reviewing for indicators of impairment. At 30 June 2023, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of assets.

Goodwill which has been acquired through business combinations, and intangible assets with indefinite lives, are related to the Australian Dairy CGU. These assets have been tested for potential impairment using assumptions relevant for each of the CGU's. 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. The discount rates take into consideration the time value of money and the risk to achievement of the forecast. The discount rate calculation is based on market conditions and the specific circumstances of the Group and its CGUs, 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. CGU-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.

(i) Australian Dairy CGU

The recoverable amount of the Australian Dairy CGU, $85.4 million as at 30 June 2023, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts covering a five year period, with input from an independent valuation specialist, and approved by senior management. The carrying value of goodwill allocated to the Australian Dairy CGU is $1.09 million, and the carrying value of indefinite life intangible assets allocated to the Australian Dairy CGU is $0.07 million.

Key drivers which impact the recoverable amount of the Australian Dairy CGU are detailed below.

Management have determined that a reasonable possible change in the key assumptions of the fair value less costs of disposal calculation would cause the carrying amount to exceed the recoverable amount of the Dairy CGU.

(ii) Australian Meat CGU

On reclassification as an asset held for sale (refer note 4) the Australian Meat CGU was assessed for recoverability at the lower of carrying amount or fair value less costs to sell.

As a consequence of this assessment, an impairment of $2.83 million was recorded on the Australian Meat CGU.

(b) Key assumptions – Dairy

The calculation of fair value of the Dairy operating CGU is most sensitive to the following assumptions:

- Discount rates;
- The price of milk paid to farmers and other suppliers;
- The volume of milk obtained from farmers and other suppliers; and
- The EBITDA margin.

(i) Discount rates

The pre-tax discount rate applied to the cash flow projections is 13.9% and the cash flows beyond the five-year period are extrapolated using a 2.5% growth rate that is the same as the long-term average growth rate.

An increase of the pre-tax discount rate to 15.4% (i.e. +1.5%) in the Dairy CGU would result is a decrease in the recoverable amount of $17.8 million. This decrease would result in impairment.

(ii) EBITDA margin

A change in milk price, or milk volume would have a direct effect on the EBITDA margin. A decrease in the EBITDA margin percentage of 2.5% over the duration of the entire five-year period of the discounted cash flow model would result in a decrease in the recoverable amount of the Dairy CGU of approximately $33.9 million. This would lead to an impairment.

Notes to the consolidated financial statements
For the year ended 30 June 2023

9 Equity

(a) Contributed equity

	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $'000	30 June 2022 $'000
Ordinary shares - fully paid	1,997,046,892	863,799,408	203,272	176,580

(i) Movements in ordinary share capital

	Number of shares	$'000
Balance 30 June 2022	**863,799,408**	**176,580**
Opening balance 1 July 2022	863,799,408	176,580
Share-based payment	4,481,860	295
Placement of shares	1,128,765,624	28,219
Capital raise costs	–	(1,822)
	1,997,046,892	**203,272**

(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 shares 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 2023 $'000	30 June 2022 $'000
Financial assets at FVOCI	(7,793)	(7,793)
Unallocated shares		–
Share based payments	–	–
Foreign currency translation	(547)	(583)
	(8,340)	**(8,376)**
Movements		
Financial assets at FVOCI		
Opening balance	(7,793)	(7,793)
Revaluation - gross	–	–
Disposal of financial assets	–	–
Balance 30 June	**(7,793)**	**(7,793)**
Foreign currency translation		
Opening balance	(583)	(562)
Currency translation differences arising during the year	36	(21)
Balance 30 June	**(547)**	**(583)**

(i) Nature and purpose of other reserves

Financial assets at FVOCI

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

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:

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	(113,258)	(91,533)
Net loss for the period attributable to equity holders of the parent	(48,857)	(21,725)
Balance 30 June	**(162,115)**	**(113,258)**

10 Cash flow information

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

	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss after tax for continuing operations	(41,435)	(17,940)
Loss after tax for discontinued operations	(6,056)	(3,786)
Loss after tax	**(47,491)**	**(21,726)**
Non-cash adjustments:		
Depreciation & amortisation expense	4,487	4,313
Impairment of non-financial assets	3,960	2,000
Bad debts written off	150	758
Foreign exchange loss	(136)	(11)
Inventory write-off	877	382
Change in:		
(Increase) in trade and other receivables	(4,214)	(890)
(Increase)/decrease in inventories	(2,451)	375
(Increase)/decrease in deferred tax assets	31,801	(4,295)
Increase/(decrease) in trade payables	5,005	(1,584)
Increase/(decrease) in deferred tax liabilities	(2,006)	293
Increase/(decrease) in other provisions	103	563
Net cash outflow from operating activities	**(9,915)**	**(19,822)**

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.

Foreign exchange contracts are utilised as a short-term tool to mitigate some foreign exchange risk. These open contracts as at 30 June 2023 are immaterial.

Exposure

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

	30 June 2023 CNY $'000	30 June 2022 CNY $'000
Trade receivables	-	190
Trade payables	(28)	-

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 2023 $'000	30 June 2022 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain included in finance income	136	11
Total net foreign exchange gains recognised in profit before income tax for the period	**136**	**11**

Sensitivity

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

	Impact on post-tax profit	
	2023	2022
Index	$'000	$'000
CNY/AUD exchange rate - increase 10%	(3)	(17)
CNY/AUD exchange rate - decrease 10%	3	21

(ii) Interest rate risk

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

	30 June 2023 $'000	30 June 2022 $'000
Cash and cash equivalents	230	322
Borrowings (excluding fixed rate)	(30,491)	(42,065)
	(30,261)	**(41,743)**

Sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2023, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been impacted as follows:

	Impact on post-tax loss and equity	
	30 June 2023 $'000	30 June 2022 $'000
Interest rates - increase by 50 basis points	(357)	(344)
Interest rates - decrease by 50 basis points	357	344

(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, and therefore require a continuous supply of milk. 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 6(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.

Notes to the consolidated financial statements

For the year ended 30 June 2023

11 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

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

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

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

	30 June 2023 $'000	30 June 2022 $'000
At 1 July	254	254
Provision for impairment recognised during the year	–	335
Receivables written off during the year as uncollectable	(197)	(355)
At 30 June	57	254

(iii) Past due but not impaired

As at 30 June 2023, trade receivables of $3.47 million (2022 $3.97 million) 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 2023 $'000	30 June 2022 $'000
Up to 3 months	3,291	3,697
3 to 6 months	120	8
6 to 9 months	66	260
At 30 June	3,477	3,965

(c) Liquidity risk

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

All financial liabilities of the Group are non-derivatives and have contractual maturities of up to 4 years.

(i) Maturities of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The carrying value approximates fair value.

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 2023						
Trade and other payables	3,014	13,947	–	–	–	**16,961**
Borrowings	9,830	320	1,379	20,299	–	**31,828**
Hire purchase liabilities	–	36	1,034	3,667	–	**4,737**
Total non-derivatives	12,844	14,303	2,413	23,966	–	**53,526**
At 30 June 2022						
Trade and other payables	4,560	12,037	–	–	–	**16,597**
Borrowings	2,990	470	21,449	29,776	–	**54,685**
Hire purchase liabilities	–	43	1,555	4,710	2	**6,310**
Total non-derivatives	7,550	12,550	23,004	34,486	2	**77,592**

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 2023 (2022: $nil).

Notes to the consolidated financial statements
For the year ended 30 June 2023

13 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2023 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
		2023	2022	2023	2022	
		%	%	%	%	
Beston Global Food Company Limited	Australia	100.0	100.0	–	–	Food services
Beston Farms Pty Ltd	Australia	100.0	100.0	–	–	Dairy farming
Beston Pure Dairies Pty Ltd	Australia	100.0	100.0	–	–	Dairy production
Beston Pure Foods (Australia) Pty Ltd	Australia	100.0	100.0	–	–	Sales and distribution
Beston Global Food (Thailand) Company Limited	Thailand	98.0	98.0	2.0	2.0	Sales and distribution
Beston Global Food Company (Hong Kong) Limited	Hong Kong	100.0	100.0	–	–	Sales and distribution
Beston Food (Shanghai) Co. Limited	China	100.0	100.0	–	–	Sales and distribution
Beston Technologies Pty Ltd	Australia	100.0	100.0	–	–	Technology developer
AQUAessence Pty Ltd	Australia	51.0	51.0	49.0	49.0	Water products
Provincial Food Group Pty Ltd	Australia	100.0	100.0	–	–	Protein processing
BFC Employee Share Holdings Pty Ltd	Australia	100.0	100.0	–	–	Employee share scheme

14 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2023 (2022 - nil).

15 Commitments

At 30 June 2023, the Group had commitments of $220.6m relating to milk supply purchases from farmers. These milk purchase commitments have terms of between 1 and 7 years.

At 30 June 2023, the Group had commitments of $3.9m relating to equipment capital expenditure.

16 Events occurring after the reporting period

Financing facilities

The Group successfully completed its debt tender process which has introduced an additional financier, and has increased facility limits of the Group's Invoice Finance Facility.

The Group's financial liabilities of $45 million are primarily made up of three facilities at 30 June 2023: an Invoice Finance Facility of $10.0 million ($9.4 million drawn), Corporate Markets Loan of $18.5 million ($18.5 million drawn) and Business Overdraft Facility of $18.7 million ($9.8 million drawn). The expiry dates of these facilities were extended, effective 30 June 2023, to 31 July 2024. In August 2023 the Group obtained approval and at the date of this report is in the final stages of establishing a new Invoice Finance Facility of up to $25 million (initially set at $18 million with step ups over time) and an Asset Finance Facility. The Invoice Finance Facility has a 3-year term, and can be drawn at any point in time for amounts of up to 82% of domestic receivables and 72% of export receivables, while the $3 million Asset Finance Facility also has a 3-year term. Proceeds will be used to extinguish the existing Invoice Finance Facility and fund scheduled debt repayments.

The Group's 12-month cashflow forecasts assume the continued availability of these or alternate facilities beyond 31 July 2024. The Directors are confident of establishing or renewing sufficient debt facilities prior to expiry of the current facilities on 31 July 2024.

17 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 13(a).

(b) Key management personnel compensation

	30 June 2023 $'000	30 June 2022 $'000
Short term employee benefits	1,229	854
Post-employment benefits	113	52
	1,342	906

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2023 $'000	30 June 2022 $'000
Sales of goods and services		
Remuneration paid for directors services	–	4
Interest income from related parties	–	248
Purchases of goods and services		
Management fee for Directors interests via the investment manager	–	(553)

No transactions occurred with related parties during FY23.

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

There were no balances are outstanding at the end of the reporting period in relation to transactions with related parties.

(e) Loans to/from related parties

	30 June 2023 $'000	30 June 2022 $'000
Loans to other related parties		
Beginning of year	–	33
End of year	–	–

There were no loans payable to or receivable from related parties as at 30 June 2023.

18 Remuneration of auditors

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

	30 June 2023 $'000	30 June 2022 $'000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	349	309
Fees for other services:		
Tax compliance services	43	39
Due diligence services	90	–
Blockchain services	–	101
Total fees to Ernst & Young (Australia) [A]	482	449
Fees to other overseas member firms of Ernst & Young (Australia) [B]	–	–
Total auditor remuneration [A] + [B]	482	449

Notes to the consolidated financial statements
For the year ended 30 June 2023

19 Earnings per share

(a) Basic loss per share

	30 June 2023 Cents	30 June 2022 Cents Restated
From continuing operations attributable to the ordinary equity holders	(2.70)	(2.09)
From discontinued operations	(0.39)	(0.44)
Total basic loss per share attributable to the ordinary equity holders	(3.09)	(2.53)

(b) Diluted loss per share

	30 June 2022 Cents	30 June 2021 Cents
From continuing operations attributable to the ordinary equity holders	(2.70)	(2.09)
From discontinued operations	(0.39)	(0.44)
Total diluted loss per share attributable to the ordinary equity holders	(3.09)	(2.53)

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

	30-Jun 2023 $'000	30-Jun 2022 $'000
Basic loss per share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share:		
From continuing operations	(42,801)	(17,939)
From discontinued operations	(6,056)	(3,786)
Loss attributable to the ordinary equity holders of the parent for basic earnings	**(48,857)**	**(21,725)**
Effects of dilution	–	–
Loss attributable to the ordinary equity holders of the parent for diluted earnings	**(48,857)**	**(21,725)**

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

	2023 Number	2022 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	1,535,965,306	860,268,929

20 Parent entity financial information

(a) Summary financial information

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

	30 June 2023 $'000	30 June 2022 $'000
ASSETS		
Current assets	3,875	5,186
Non-current assets	34,974	57,572
Total assets	**38,849**	**62,758**
LIABILITIES		
Current liabilities	1,301	848
Non-current liabilities	4,164	4,998
Total liabilities	**5,465**	**5,847**
Net assets	**33,384**	**56,911**
EQUITY		
Issued capital	203,272	176,580
Reserves	(7,792)	(5,850)
Accumulated losses	(162,097)	(113,819)
Total equity	**33,384**	**56,911**
Loss for the period	(48,278)	(19,717)
Total comprehensive loss	**(48,278)**	**(19,717)**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

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) Going Concern

The Group incurred a statutory net loss after tax of $47.5 million and had net cash outflows from operating activities of $9.9 million for the year ended 30 June 2023. On a pre-tax basis, the loss from continuing operations for the year was $11.6 million. The financial statements have been prepared on the basis that the Group is a going concern which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

In September 2022, the Group outlined several activities that were critical to supporting the going concern assumption being: successful completion of a capital raise, generation of sufficient cashflows from operations; meeting scheduled debt repayments and successfully renegotiating certain bank facilities with a facility expiry date of 31 August 2023.

The Directors were pleased to report the successful completion of its capital raise of $28.3 million and debt repayments of $16 million in the half year ended 31 December 2022. To continue as a going concern the Group requires continued operational results improvement as forecast, ongoing support of its bankers or other financiers and milk suppliers, and successful completion of the divestment of non-core operations, as described below.

Financing facilities

The Group successfully completed its debt tender process which has introduced an additional financier, and has increased facility limits of the Group's Invoice Finance Facility.

The Group's financial liabilities of $45 million are primarily made up of three facilities at 30 June 2023: an Invoice Finance Facility of $10.0 million ($9.4 million drawn), Corporate Markets Loan of $18.5 million ($18.5 million drawn) and Business Overdraft Facility of $18.7 million ($9.8 million drawn). The expiry dates of these facilities were extended, effective 30 June 2023, to 31 July 2024. In August 2023 the Group obtained approval and at the date of this report is in the final stages of establishing a new Invoice Finance Facility of up to $25 million (initially set at $18 million with step ups over time) and an Asset Finance Facility. The Invoice Finance Facility has a 3-year term, and can be drawn at any point in time for amounts of up to 82% of domestic receivables and 72% of export receivables, while the $3 million Asset Finance Facility also has a 3-year term. Proceeds will be used to extinguish the existing Invoice Finance Facility and fund scheduled debt repayments.

The Group's 12-month cashflow forecasts assume the continued availability of these or alternate facilities beyond 31 July 2024. The Directors are confident of establishing or renewing sufficient debt facilities prior to expiry of the current facilities on 31 July 2024.

Cash flow from operating activities

A budget and cash flow forecast has been prepared for the twelve-month period from the date of signing the financial statements which forecasts an improved operating performance and cashflows. The cash flow forecast has been prepared based on managements' and the Directors' assessment of reasonable economic, operating and trading performance assumptions, including those achieved in Q4 of FY23. If this forecast is achieved, it will support the Directors' going concern assertion. These forecasts are dependent upon the ability of the Group to secure the necessary milk volumes at the prices forecast by the Group. These volumes and prices are based on continuation of the Group's existing milk purchases from suppliers. These forecasts are also dependent on the cash payment and collection profile being materially in line with the Group's payment terms.

Divestment of non-core operations

The Group made the decision to divest or discontinue its non-dairy operations (Meat, Technology and Water businesses) and is well advanced in this process. The proceeds from these divestments will be used to make required debt reductions.

In summary, having considered the foregoing matters and deliberated on the Group's business plans and operating budgets, the Directors believe that the Group will continue as a going concern.

To continue as a going concern the Group requires continued operational results improvement as forecast, ongoing support of its bankers or other financiers and milk suppliers, and successful completion of the divestment of non-core operations. However, in the unlikely event these conditions are not achieved this may cast significant doubt about the Group's ability to continue as a going concern. In that case, the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of recorded liabilities that might be necessary should the consolidated entity not continue as a going concern.

(ii) 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).

(iii) Historical cost convention

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

(iv) New and amended standards adopted by the Group

There are no new standards, interpretations or amendments to existing standards that are effective for the first time that have a material impact in current or future reporting periods and on foreseeable future transactions.

Notes to the consolidated financial statements
For the year ended 30 June 2023

21 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. The Group's has assessed that none of these are relevant to the Group.

Standards not yet effective

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. None of these are expected to have a material effect on the financial statements.

(vi) Key judgements, estimates and assumptions

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.

Financial forecasting

Management maintains a detailed financial model that it uses to forecast the future performance of each of its segments within the Group, and the Group. This model was updated for the latest available information as at 30 June 2023. Key uses of the financial model include understanding expected financial performance, capital expenditure, cash-flow and capital and debt management requirements of the Group. The financial model is also the key input for valuation purposes, including impairment assessments. Significant assumptions that drive the forecast outcomes are subject to detailed review for reasonableness by management, and approval by the Board.

By their nature, financial forecasts are inherently uncertain and dependent upon realisation of critical assumptions. Should expected future business conditions change, this could lead to a change in these critical assumptions which could have a material impact on the forecast financial performance of the Group, assessment of the recoverable amount of assets for impairment purposes, and recognition of deferred tax assets.

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 fair value less cost to sell calculation is based on the detailed financial model as discussed in note 7, with cash flows derived from the forecast for the next five years. The key drivers used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 8.

Recoverability of 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 7 and 21(g).

Fair value assessments

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

Further details on assets held for sale are disclosed in note 4.

Assets held for sale

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

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(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 2023 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.

(c) Segment reporting

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

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

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

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

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

(e) Revenue recognition

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

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. rebates, case deals).

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.

Notes to the consolidated financial statements
For the year ended 30 June 2023

21 Summary of significant accounting policies (continued)

(f) Government grants

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

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

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

(g) Income tax

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

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

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

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

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

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

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

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

(h) Leases

- Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- Right-of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the Lessee's incremental rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $10,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(i) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

(j) Impairment of non-financial assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

Trade receivables are recognised initially at the transaction price as determined under AASB 15, less provision for impairment. See note 6(b) for further information about the Group's accounting for trade receivables and note 8 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.

Notes to the consolidated financial statements
For the year ended 30 June 2023

21 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

(i) Classification and measurement

With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables are measured at the transaction price determined under AASB 15.

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

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

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

Financial assets fair value through profit and loss

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

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

Financial assets at amortised cost

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

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

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

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

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

(ii) Recognition and derecognition

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

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

(iii) Impairment

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

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

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

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

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 6(b).

(o) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

Loans and borrowings

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

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

This category generally applies to interest-bearing borrowings.

(iii) Derecognition

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

(p) Assets held for sale

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

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

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

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

(q) Property, plant, and equipment

The Group's accounting policy for land and buildings is explained in note 7(a). All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant, and equipment.

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

The depreciation methods and periods used by the Group are disclosed in note 7(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.

Notes to the consolidated financial statements
For the year ended 30 June 2023

21 Summary of significant accounting policies (continued)

(r) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 22(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 1).

(ii) Trademarks and licences

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

(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 8(b) for details about amortisation methods and periods used by the Group for intangible assets.

(s) Trade and other payables

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

(t) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iv) Share-based payments

Employees and Directors of the Group may receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

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

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

(u) Contributed equity

Ordinary shares are classified as equity.

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

(v) Dividends

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

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(x) Rounding of amounts

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

(y) Goods and Services Tax (GST)

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

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

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

(z) Parent entity financial information

The financial information for the parent entity, Beston Global Food Company Limited, disclosed in note 20 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Tax consolidation legislation

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

Refer to note 7 for further details.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 45 to 79 are in accordance with the *Corporations Act 2001*, including:

- **(i)** complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- **(ii)** complying with International Financial Reporting Standards, as disclosed in note 22(a)(ii), and
- **(iii)** giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

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

R N Sexton
Chairman

Adelaide
29 September 2023

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

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Independent auditor's report to the members of Beston Global Food Company Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Beston Global Food Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 21(a)(i) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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Key audit matters

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

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

Impairment of non-current assets including goodwill and other intangibles

Why significant	How our audit addressed the key audit matter
The carrying value of property, plant and equipment ("PPE") of $48.8 million and goodwill of $1.2 million as disclosed in Note 7 (a) and Note 7 (b) represent 48% of the total assets of the continuing operations of the Group. As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that PPE may be impaired. In addition, goodwill is tested for impairment at least annually. The Directors obtained an independent valuation of the fair value less costs to sell (FVLCS) of the Group's continuing cash generating unit ("CGU") for impairment testing, calculated based on a discounted cash flow model comprising significant assumptions, as disclosed in Note 8. The Group's impairment testing disclosures set out the key operating assumptions used and sensitivity of the FVLCS to changes in those key assumptions, including changes which could give rise to an impairment loss in the future. Refer to Note 8 of the financial report. The impairment testing of non-current assets including goodwill was considered a key audit matter due to the significance of the non-current asset balances and the complex judgements and assumptions in the impairment assessment process. These include discount rates, forecast revenue growth, product sales prices, margins, production costs, and milk supply volume and prices. These	We assessed whether the impairment testing methodology on continuing operations met the requirements of Australian Accounting Standards, including the Group's identification of its CGUs. In conjunction with our valuation specialists, we performed the following procedures: ▶ In respect of the independent valuations we: ‣ Evaluated the competence, capability and objectivity of the external valuation expert. ‣ Assessed the valuation methodology used against generally accepted valuation practice. ‣ Assessed the discount rates applied by the expert through comparing the cost of capital for the Group with comparable businesses. ‣ Assessed the results of the expert's comparable industry valuation multiples analysis over the five year forecast period and terminal value, and analysis of other market evidence, used as a valuation cross-check. ▶ In respect of the cash flow forecasts provided to the independent valuer by the Group we: ‣ Assessed the key assumptions such as forecast revenue growth, product sales prices, net working capital needs, margins, production costs and milk supply volume and prices in comparison to external independent data, where relevant.

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Why significant	How our audit addressed the key audit matter
assumptions are affected by future market or economic conditions.	▸ Assessed the allocation of corporate costs to operating CGUs in light of the Group's decision to discontinue or divest its non-dairy businesses. ▸ Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy. ▸ Assessed whether the forecast cash flows used in the impairment testing model were consistent with the most recent Board approved cash flow forecasts. ▸ Assessed the adequacy of capital expenditure forecasts. ▸ Tested the mathematical accuracy of the discounted cash flow model. We performed sensitivity analysis in respect of the assumptions which were considered to have the most significant impact on fair value less cost to sell, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for there to be an impairment of the carrying value of the Dairy CGU. We assessed the likelihood of these changes in assumptions arising. We considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 8.

Discontinued operations

Why significant	How our audit addressed the key audit matter
In June 2023, the Group announced its intention to divest and discontinue its non-Dairy operations consisting of the Meat, Water and Technology businesses. Upon classifying assets and associated liabilities as held for sale, the Group performed an impairment assessment, and has recorded impairment of goodwill of $2.8 million and impairment on intangible assets of $1.1 million. The Group's discontinued operations disclosures are included in Note 4 of the financial report. The presentation of the non-Dairy operations as discontinued, and associated assets and liabilities as held for sale, was considered a key audit matter due to the complex judgements required in meeting the highly probable recognition criteria under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*.	In assessing whether it was appropriate for the non-Dairy operations to be recognised as a discontinued operation and associated assets and liabilities to be recorded as held for sale we performed the following procedures: ▸ Assessed evidence supporting the accounting treatment for the non-Dairy operations against the requirements under *AASB 5 Non-Current Assets Held for Sale and Discontinued Operations*. ▸ Evaluated the appropriateness of the impairment assessment performed to assets held for sale, and remaining recoverable amount. ▸ Evaluated the presentation and disclosure of the results from discontinued operations and its compliance with Australian Accounting Standards, as set out in Note 4 of the financial report.

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

Carrying value of deferred tax assets

Why significant	How our audit addressed the key audit matter
The Group's deferred tax balances are subject to complexity and estimation risk around the utilisation of tax losses. In the prior year, the Group had net deferred tax assets of $29.8 million which included $30.9 million relating to carry forward tax losses, partially offset by temporary deferred tax liabilities. The recoverability of deferred tax assets is subject to the Group's ability to generate future taxable profits against which the losses can be utilised, and compliance with relevant taxation legislative requirements. As set out in Note 7(d), as a result of challenging macro-economic conditions and inflationary cost pressures, the Group has reassessed it's short to medium term forecasts. These revisions have impacted on the Group's assessment of the appropriate time frame to generate taxable income to support a conclusion the tax losses are probable of being recovered. As a result of these forecasts revisions and increased uncertainty, the Group has derecognised $29.8 million of the deferred tax asset. The carrying value of deferred tax assets was deemed to be a key audit matter given the degree of judgement in management's forecast process, in the judgement associated with impact of increased uncertainty in short and medium term forecasts on the probability assessment of generating sufficient taxable income. and the decision to derecognise deferred tax assets related to carried forward tax losses. The Group's disclosures are included in Note 7(d) of the financial report.	Our audit procedures included an assessment of the Group's forecasts of future taxable income by: ‣ Comparing the forecasts used for deferred tax asset recognition purposes for consistency with the cash flow forecasts utilised in the Group's impairment testing. ‣ Considering, in conjunction with our tax specialists, the ability of the Group to generate, with sufficient reliability, taxable income against which to utilise the losses in accordance with regulatory restrictions. We assessed the adequacy of the Group's disclosures in the financial report regarding the closing tax balances recorded at year end.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 42 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Beston Global Food Company Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

L A Carr
Partner
Adelaide
29 September 2023

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2023.

Ordinary Share Capital

1,997,046,892 fully paid Ordinary Shares are held by 3,548 individual Shareholders.

All Ordinary Shares carry one vote per share.

There are no restricted securities or securities subject to voluntary escrow

There is no current on-market buyback.

Distribution of Equity Securities

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

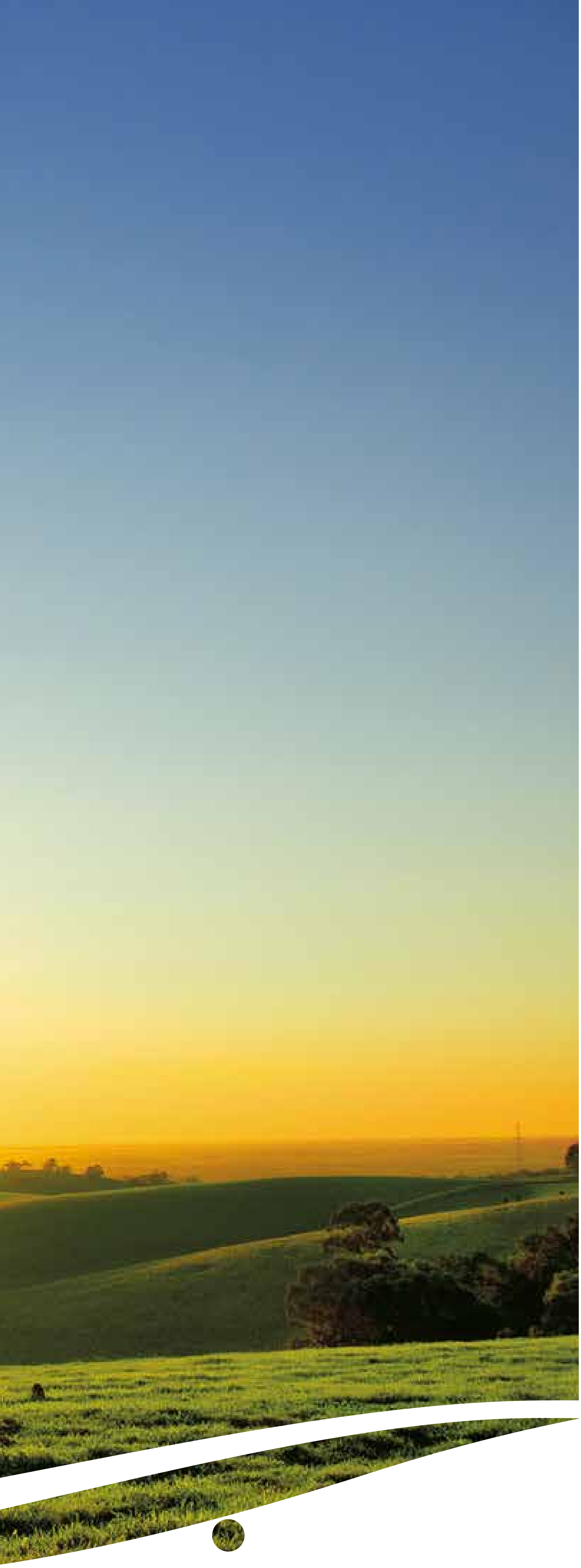
Range	Securities	%	Number of holders	%
100,001 and Over	1,930,866,206	96.69	1,329	37.08
10,001 to 100,000	61,961,726	3.10	1,395	38.92
5,001 to 10,000	3,187,222	0.16	394	10.99
1,001 to 5,000	1,008,536	0.05	319	8.90
1 to 1,000	23,202	0.00	147	4.10
Total	**1,997,046,892**	**100**	**3,584**	**100**
Unmarketable Parcels	36,347,315	1.82	1,908	53.24

Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)	Number of Shares Held	%
Kunteng Pte Ltd	64,051,111	14.99%
Australia Aulong Auniu Wang Food Holdings Pty Ltd	66,894,345	14.90%
Allianz SE	55,469,040	9.21%
Wilson Asset management Group	56,388,613	6.53%

Twenty largest holders of Quoted Equity Securities

Rank	Name	Number of Shares Held	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	125,532,149	6.29
2	CITICORP NOMINEES PTY LIMITED	107,863,991	5.40
3	HISHENK PTY LTD	99,000,000	4.96
4	BNP PARIBAS NOMS PTY LTD	78,216,194	3.92
5	KUNTENG PTE LTD	64,051,111	3.21
6	BNP PARIBAS NOMINEES PTY LTD	58,184,273	2.91
7	AUSTRALIA AULONG AUNIU WANG FOOD HOLDINGS PTY LTD	54,449,834	2.73
8	MR PAUL AINSWORTH	44,000,000	2.20
9	BLUE RIDGE HOLDINGS PTY LTD	42,806,286	2.14
10	WILLOUGHBY CAPITAL PTY LTD	33,746,304	1.69
11	BNP PARIBAS NOMS PTY LTD	28,415,470	1.42
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,955,178	1.10
13	MS SHERYL DENG	20,181,214	1.01
14	ROSIANO PTY LTD	19,999,999	1.00
15	BESTON PACIFIC ASSET MANAGEMENT PTY LTD	18,000,000	0.90
16	MR BRETT PARTRIDGE & MRS CHRISTINE JOANNE PARTRIDGE	14,050,000	0.70
17	MR MICHAEL LAWRENCE PINN & MRS GAY PINN	13,500,000	0.68
18	GKCM INVESTMENTS PTY LTD	12,968,975	0.65
19	CITICORP NOMINEES PTY LIMITED	12,800,917	0.64
20	PINN CAPITAL PTY LTD	12,500,000	0.63
	Total	**882,221,895**	**44.18**
	Balance of register	**1,114,824,997**	**55.82**
	Grand total	**1,997,046,892**	**100.00**



Corporate directory

BESTON GLOBAL FOOD COMPANY LIMITED
ABN 28 603 023 383

Annual Report for the period ended 30 June 2023

INCORPORATION
Incorporated in Australia on 24 November 2014

DIRECTORS

Roger Sexton	Chairman
Stephen Gerlach	Non-Executive Director
Neil Longstaff	Independent Non-Executive Director
Cheryl Hayman	Independent Non-Executive Director
Kevin Reid	Independent Non-Executive Director

CEO

Fabrizio Jorge

COMPANY SECRETARY

Richard Willson

REGISTERED OFFICE

Ground Floor, 84 Greenhill Road
Wayville, South Australia 5034
+61 (0)8 8470 6500

PRINCIPAL PLACE OF BUSINESS

Ground Floor, 84 Greenhill Road
Wayville, South Australia 5034
+61 (0)8 8470 6500

SHARE REGISTER

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

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

LEGAL ADVISORS

Minter Ellison

AUDITORS

Ernst & Young Australia

BANKERS

National Australia Bank

BESTON
GLOBAL FOOD COMPANY

Beston Global Food Company Limited
Ground floor, 84 Greenhill Road
Wayville SA 5034

bestonglobalfoods.com.au