BESTON GLOBAL FOOD COMPANY

Beston Global Food Company Limited

Financial report
for the year ended 30 June 2019

Appendix 4E
Beston Global Food Company Limited
Year ended 30 June 2019

Name of entity
Beston Global Food Company Limited

ABN or equivalent company reference	Year ended
ABN 28 603 023 383	30 June 2019 (Previous corresponding period: 30 June 2018)

Results for announcement to the market

				$'000
Revenue for ordinary activities	Up	77%	to	85,225
Net profit after tax (from ordinary activities) for the period attributable to members	Down	114%	to	(26,975)

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

Audit

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited and the Independent Auditor's Report to the members of Beston Global Food Company Limited is included in the attached Financial Report.

BESTON GLOBAL FOOD COMPANY

Chairman's letter to shareholders

On a recent visit to our dairy factories in South Australia, one of our Shareholders made an interesting observation… that the sight of a flock of long-distance migrating birds, flying overhead all in a tight 'V' formation, provided an analogy to the journey taken by Beston Global Food Company (ASX:BFC) over the past few years, since launching on to the ASX. The leader at the tip of the 'V' works the hardest and risks the most. The leader has to keep pushing ahead, through rain and shine, to get to the end destination and not be distracted by head winds or unexpected changes in weather conditions.

The analogy is certainly a pertinent one.

BFC set out to be a leader in the production and supply of premium quality, safe and healthy food and beverage products in Australia and overseas. We have worked very hard on this objective at a time when the food industry in Australia and the dairy industry in particular, is being subjected to enormous challenges and change.

And, we have done what we said we would do. Despite encountering a number of headwinds and unexpected set-backs, we have stuck to our plans to build a globally oriented food company around a reputation of premium quality, with healthy ingredients that can be authenticated, tracked and traced and with a point of difference that we have created through innovation and integrity.

While we started with a more diversified business, the Company has become much more focused on dairy and meat and related products as we have moved from the first phase of our business growth strategy to the second phase and concentrated our efforts on the areas of the business where we can achieve the greatest return on capital employed.

Hand in hand with this approach, we have instituted an extensive cost reduction program across the Company which has started to show bottom line returns… with more expected as we progress forward. In addition, during this financial year, we have fully impaired our investment in NBI and have written down inventories where required and absorbed the cost of redundancies associated with our restructuring changes.

We have fully built our sales team, with our own sales staff on the ground in all mainland states, and as a consequence, turnover for the Company has increased by 77% in the current financial year, even though production levels have been affected by milk shortages.

Notwithstanding these top line results, where we are right now, in terms of our headline earnings numbers, is disappointing. Not because of a lack of progress in achieving our business objectives… but because this progress is not being reflected as yet in our FY19 bottom-line results or in dividends to shareholders.

It is the case that the dairy industry is finding it tough going at the moment. Most notably from the impact of the drought on milk production and the associated impact on the cost of milk. We have also seen significant increases in the price of power and insurance.

But we have been responding to these headwinds by building on our strategies and approaches to better position the company going forward. At the heart of BFC since its early days has been a focus on the quality of our products and the strength of our business and community relationships. This has held the company in good stead to weather these tougher times.

Looking Back

When BFC started out, we had no milk (other than from our own farms), no operational factories, no brands, no market presence and no export licenses. BFC was a start-up business with a sales and profit profile for the first three years which was to have been underpinned by sales and purchasing agreements from one of our cornerstone shareholders. As explained to shareholders previously the non-performance by this shareholder, for reasons internal to that shareholder, was a setback which impacted significantly on BFC in the early stages of our journey. BFC paid a dividend in our first year of trading on the ASX but was subsequently stymied in its dividend objectives by the gap in earnings which was to have been delivered from the purchase commitments entered into with this cornerstone investor.

Following this early set back, the Board of BFC resolved to put in place alternative arrangements to achieve the first phase of our business strategy, namely to "fix, focus and build-out" our assets by re-starting the dairy assets we had acquired, building the infrastructure around these assets, building brands, building milk supply and establishing a market presence.

The objectives of this first phase of our business plan, which we summarized internally as the "three C's", that is, building Capability, (with high quality premium safe, healthy foods and beverages), Capacity (with ability to scale up and achieve production efficiencies as sales volumes increased) and Clout (with brands, reputation, quality and trust), were achieved well within the target time frame of 36 months.

Since listing in late 2015, BFC has successfully taken two substantial dairy factories out of receivership, rebuilt the assets, restored the export accreditation, brought the assets back into commercial production with elevated operating standards (i.e. to world best practice SQF standards), while building solid relationships with key stakeholder groups and communities. BFC has also successfully completed the acquisition and installation of a state-of-the-art Mozzarella plant at its Jervois (SA) factory and restored the cream and butter plant as well as the dairy fractionation (lactoferrin) plant.

Within this same time frame, BFC has built a reputation, both domestically and internationally, for producing premium quality dairy products, around a brand ("Edwards Crossing") which previously did not exist. We have now won 113 major industry awards for the quality of our cheese products since listing in 2015.

Recently, we won the Christian Hansen Cup for the Best Cheddar in Australia at the Dairy Industry Association of Australia (DIAA) Awards of Excellence. This was the second time in three years that BFC has been awarded the Christian Hansen Cup for its "Edwards Crossing" cheese products.

Dairy Companies and Cheesemakers strive to win this prestigious Cup each year as it represents the "Best of the Best". Amongst the other 17 awards that we won at this event, one was a gold medal for our Mozzarella, of which we only commenced production in commercial quantities at the beginning of FY19. We knew our Mozzarella was the best in Australia when we released it, however we now have formal recognition of this fact from the independent industry 'umpires', namely, the judges from the DIAA.

We have achieved similar results with our Meat business. BFC moved to 100% ownership of Scorpio Foods with effect from August 2018. (Prior to that time, BFC held a 40% beneficial interest in Scorpio). Subsequent to moving to 100% ownership, and control, we undertook a major restructure of Scorpio which included consolidating the operations from two separate locations (Colac, Victoria and Shepparton, Victoria) into one (Shepparton, Victoria), building dedicated production rooms for specific product types to significantly improve efficiencies, upgrading the quality of all of the production processes to SQF standards (global food safety management accreditation) and changing the name to the Provincial Food Group (PFG).

In February 2019, BFC announced that it had secured three new major customers with initial orders of close to $10 million in annualized sales for the supply of gourmet burgers and other quick meal products (pre-cooked, ready-to-heat) for domestic and international markets. These new contracts will more than double previous revenues and reduce the previous reliance on one major customer (i.e. a global soup company).

Since taking full ownership of the business, we have developed significant capability within PFG of manufacturing plant-based protein food products. This capability will be expanded further in the FY20 year in line with our focus on being a protein company; with dairy protein, meat protein and plant-based protein products.

On our BFC owned farms at Mount Gambier, South Australia, a very focused revitalization program implemented since the time of purchase in 2015 has achieved a dramatic improvement in their performance.

As well as making major changes in the supply side of our business, with our factories and farms, we have also focused on the demand side by empowering our consumers with technology to be able to authenticate our products and track and trace the ingredients. When BFC was established, we expected that we would be able to purchase some existing ‘off the shelf’ technology for the purposes of providing our consumers with the ability to check for “fake” products and ingredient verification.

However, when we learned that we could not source such technology anywhere in the world, we set about building our own (Brandlok/OZIRIS). Our track-and-trace and anti-counterfeiting technology business Beston Technologies Pty Ltd holds 12 international patents including a Blockchain Patent for managing and providing the provenance of a product, including food. Work is well progressed on a project to enable this technology to be adopted by other users, outside of BFC.

As a small player in a big global market, BFC recognised very early on that it would never be successful by trying to compete with other players in the global commodity space. As we stated in our IPO Prospectus, our aim was to be a niche player in the food and beverage industry by concentrating on health oriented, “clean and green” products via a focus on quality innovation and integrity. We are achieving this aim, not only with our core dairy products, but also with our innovative cheese snacking products (such as “Fancy Bites”) which are progressively being rolled out to retail markets and with our meat and vegetarian/vegan products being produced by our (now) wholly owned subsidiary, Provincial Food Group.

The installation of our new state-of-the-art Mozzarella plant at Jervois, South Australia has been transformative for the Company. It has been a game changer, as we intended… and as we expected it would be. It has enabled us to produce other dairy products in commercial quantities, such as cream and butter, and have an adequate supply of liquid whey to operate our Dairy Protein Extraction Plant and manufacture Lactoferrin (Lf) on an economic basis. Lactoferrin is in high demand in the global nutraceuticals market and commands high prices with high margins.

BFC’s Jervois facility is one of only three major Mozzarella factories of scale in Australia. Our new plant, which has been sourced from Italy, has the flexibility to manufacture different types of Mozzarella cheese products as well as the capacity to significantly expand production over time.

Leadership Changes

On 8 August 2018, we announced that CEO Sean Ebert had stepped aside to take on the role of Dairy Division Manager. The move allowed Sean to focus on the completion of a number of important projects in the dairy factories to boost revenues and earnings and for the Board to have a conversation with him about the relevance of his skills as BFC transitioned into its second phase of growth.

Sean resigned from the Company in late October after completing the designated projects at the Murray Bridge and Jervois factories. With his engineering, project management and asset acquisition and deployment skills, Sean did a great job in taking BFC through the first phase of our growth strategy and asset build out. The Board thanks him for his hard work and contributions.

On 28 November 2018, the Company announced that Jonathan Hicks had been appointed as the new CEO and would take up the position on 7 January 2019. Jonathan has come to BFC with a wealth of knowledge and global experience in the Dairy Industry. He is a Cheese Maker by training and spent the early part of this career working for dairy companies and retail supermarket companies in the UK. Over the last 30 years, Jonathan has held senior positions within the Australian Dairy Industry.

The appointment of Jonathan reflects a strategic decision by the Board of BFC to increase the utilization of the productive capacity at BFC's dairy factories to drive profitability while at the same time shifting more of the Company's sales revenues into higher margin earning segments of the market, such as dairy nutraceutical products, and pursuing its focus on being a protein business.

Restructuring Changes

The Company announced a number of significant management and restructuring changes in August 2018 which included a comprehensive review of BFC's operations across all areas of the business: factories, farms, warehouses, customers, systems, people and culture.

The restructuring changes implemented in H1 had the effect of increasing revenues and operating efficiencies and reducing costs. Over the period from August to December 2018, net costs of in excess of $1.0 million (on an annualized basis) were taken out of the business. The restructure continued following the appointment of our new CEO, Jonathan Hicks, in early January 2019, and further operational improvements were identified and are being implemented which are expected to deliver further net cost savings of close to $6.0 million over a full year. These changes are centered around the Volume, Value and Velocity ("three V's) strategy of the second phase of our business plan and build on Jonathan's deep experience in the dairy industry.

In moving through our journey, from a Phase 1 "start up" to the Phase 2 "consolidation" stage, we have been able to strip out a sizeable amount of operating costs. This has occurred in part, because a number of staff necessary for the "build out" phase (e.g. engineers, project managers, technical specialists etc.) were not required after the infrastructure build out and plant installation was completed and became operational.

But it has also occurred as we have continually improved our operational performance and extracted efficiencies from the assets which we have employed.

The significance of achieving operating efficiencies and cost savings in the business, along with changes made in our sales and marketing operations, is apparent in the Q4 results of the Company. Demand for our products exceeded our capacity to supply in the period with each month in the period showing positive operating cash flows.

The Q4 period of FY19 was our best single quarter performance to date and reflected an operational and financial rhythm in the business which we expect to be the normal, underlying, pattern of performance going forward.

Our confidence in the outlook for the Company is underscored by our forward sales volumes for 2019-20 (i.e. contracted sales volume, internationally and domestically). As at 30 June 2019, BFC has forward sold more than 82% of its budgeted production for 2019-20, all of which is contracted at higher margins than in the 2018-19 financial year.

Looking Ahead to FY20

We are now in the second phase of our 5-year business plan… that is to capitalize on the investments made and grow out earnings.

Our business has come a long way, and while acknowledging that some things could have been done better, we have done a lot of things right!

In building the milk supply to our factories at Murray Bridge and Jervois for example, we took in milk from farmers at a time when no other dairy company would do so. Back in 2016 and 2017 many dairy farmers in South Australia did not have an outlet for their milk and were in desperate financial straits. We purchased milk ahead of our processing needs because it was the right thing to do. It was the right thing to help farmers get through their very difficult times. It was also the right thing for our shareholders as it helped to build a pool of contracted milk which we could tap into, very readily, as our Mozzarella plant came on line and our sales increased. And it strengthened our relationships with farmers in the key regions we rely on for milk supply.

Having “excess” milk while we brought our new Mozzarella plant on line meant that we had to trade out around 40% of our milk to liquid milk companies (often at low margins) over this period. But it built goodwill with the dairy farming community in South Australia. That goodwill is now being repaid as the cycle has turned and milk has become in tight supply across Australia (in large part, because of the drought and increased fodder costs).

We are hopeful that the relationships we have built and the loyalty which BFC has demonstrated to farmers, not only in purchasing their milk ahead of our requirements but also in facilitating access to counselling, health care and other services for their families when required, will hold us in good stead as we progress forward with our aim to achieve a throughput of 200+ million litres at our factories at Murray Bridge and Jervois, South Australia.

We are now processing almost all of our milk receivals, the majority of which is being used for the manufacture of mozzarella and high margin by-products. In concert with the increased production at our factories, the unit costs of production have reduced and yields per litre of milk have increased.

While we have done a lot of things “right”, we also made a few mistakes as we moved through the implementation of our Phase 1 objectives. In particular processing milk into mozzarella ahead of our sales orders in the early part of the year and then quitting the inventories at reduced margins in order to free up storage capacity and cash.

Importantly, we have learned from any such mistakes and have used them to improve the way we do things; such as, in this case, developing our own, dedicated just-in-time demand planning systems. As a relatively small player in the Australian dairy and meat industries, we have been able to respond quickly, to “change the dial” and implement changes promptly.

The Board of BFC is of the view that the milestones achieved along our journey hold us in good stead for the future. Whilst we will continue to face some short-term challenges, especially in view of the complex mix of issues affecting the dairy industry, we have made strong investments over the past few years to secure our future.

Notwithstanding a number of one-off “hits” to our bottom line, and the resulting disappointing statutory FY19 results, the Directors of BFC remain confident about the direction and future performance of the Company. We have increased the topline revenues, margins and operating profits and cash flows over the previous financial year while tightening up financial disciplines across all areas of the Company. We believe that we are in a good position to continue to build on the Company’s strong foundations to extract increased earnings from incremental sales revenues in this next period.

BFC is a well collateralized business with significant hard assets and strong underlying asset values. We have a strong management team in place and strong operational capabilities with growth potential. We have re-set the cost base of the business over the FY19 financial year and established a sales team which is capable of growing both revenues and margins.

Our asset base provides the ability to consider a range of capital management options as we progress forward. We have adopted a “be ready” position for strategic expansion opportunities and are currently evaluating several potential bolt-on opportunities.

We believe that our shareholders and other stakeholders can be proud of the achievements to date, not only in building the asset base of the Company but also in the social outcomes of our efforts. Through the journey of the past few years, we have created jobs for over 300 people, directly or indirectly, and have provided support for many farming families (and regional communities) which were hitherto struggling to survive.

We understand we have work to do in terms of the financial performance of the Company but, as explained, by shoring up our milk supply, building our sales team, refining our production capability, and extracting costs from the business, we are confident we are better placed going forward to address this.

We appreciate that we have enjoyed the support of many people along the way – especially our 3,300 highly valued shareholders and customers and our loyal employees and farmers. On behalf of the Board, I would like to express my personal thanks and sincere gratitude to this diverse group of stakeholders. Our management team and our staff have demonstrated yet again both their loyalty and their commitment to the objectives of the business in improving performance while also promoting the culture and values of BFC to our customers.

Finally, I would like to thank the BFC Directors for the expertise and experience which they have again contributed during the year and for their incredibly hard work and dedication in guiding and assisting management to deliver on the Company’s objectives.

Roger Sexton AM

Chairman

CEO Report

In our fourth year as a publicly listed company, we are pleased to report that we achieved sales revenues of $84.8million in FY19, representing an increase of 77% on the FY18 results. Indeed, we have almost doubled our sales every year since FY17… a long way from virtually zero revenues at the outset when the Company listed in FY16.

The increase in revenues incorporate a similar increase in customer capture over the same period, particularly in the area of Domestic Food Service. International revenues during FY19 included sales to customers in China, Vietnam, Thailand, Japan, Malta, Philippines and Canada.

The Company has come a long way since it listed. BFC set out with a goal to take healthy, safe, and premium food and beverage products produced in Australia to the growing consumer markets of the world.

We remain committed to that goal. Food and, particularly, access to protein is rapidly emerging as one of the great challenges of the world, with more than 1 billion people being added to the global population by 2030.

We have achieved a lot in this past financial year. Key performance achievements for the year include:

- Sales revenues increased by 77% on the same period last year to $84.8Million.
- Revenues for the Dairy Division accounted for nearly 90% of the sales achieved for FY19 and were up by 81% on the prior year.
- The state-of-the-art mozzarella plant at Jervois (commissioned in the second half of FY18) progressively ramped up the production of commercial quantities of cheese, such that by April 2019, the plant was consistently producing more than 500 metric tonnes per month, and on a "just-in-time" basis (i.e. on an order matching basis).
- The commencement of commercial mozzarella production at Jervois substantially increased the range of other dairy products available for sale (i.e. butter, cream, whey powder and dairy nutraceuticals) and enabled synergistic benefits to be extracted between the Company's two dairy factories at Murray Bridge and Jervois.
- The ramp up in mozzarella production and sales enabled more of our milk supply to be put into our own use in production, rather than having some 40% of our milk traded out as raw milk as in 1H19.
- 60% of our milk supply was used in our own production in FY19 and 73% of that went into the production of mozzarella and high value by-products. BFC produced 4387MT of mozzarella in FY19 compared with 1244MT in FY18, the year of installation of the plant. In the FY20 year, we expect that nearly all of our milk will be used for our own production needs, except for a small amount which is committed to assist two other South Australian companies, Nippy's and Moo with whom BFC has close working relationships.
- BFC completed the refurbishment and upgrading of the dairy fractionation plant at Jervois and "switched on" the production of high value lactoferrin in the latter part of H1.

- Freeze Drying and milling facilities were added in January 2019, enabling final form powdered product to be produced and sold in H2.
- Beston Global Food Company has partnered with Mexican-themed casual dining chain, Guzman Y Gomez (GYG) over the past 12 months to develop, trial and manufacture a unique fit-for-purpose cheese for GYG's 106 stores across Australia. Following successful completion of the trials by GYG, Beston Global Food Company has entered into a Supply Agreement with GYG to be their principal Australian cheese supplier.
- The Company's owned farms in Mount Gambier performed strongly on the back of significant on-farm investment program over the past three years, which enable the farms to more than double silage production and mitigate the effects of the crippling drought conditions in Australia.
- A combination of improved management of pasture, fodder production and herd improvement has increased milk production per cow and resulted in the BFC owned farms breaking even in one of the most difficult years of dairy farming in recent history.
- The improvements made on the farms is reflected in the independent valuations of the farm properties at 30 June 2019 which increased to $30.4million.
- Provincial Food Group (formerly Scorpio Foods) was extensively restructured and repositioned during the year after BFC moved to 100% ownership in August 2018.
- The restructure included consolidating the operations from two separate locations (Colac, Victoria and Shepparton, Victoria), building dedicated production rooms at Shepparton for specific product types to improve efficiencies and upgrade the quality of all the production processes to SQF Standards (global food safety management accreditation).
- As part of the restructure of Scorpio and its transformation into Provincial Foods, BFC acquired the PFG building in Shepparton, which was previously on a lease arrangement. BFC now owns the property and charges rent to the business of PFG.
- In February 2019, BFC announced that it had secured three new major customers at PFG with initial orders of close to $10million in annualized sales for the supply of gourmet burgers and other quick meal products (precooked, ready-to-heat) for domestic and international markets. These new contracts will more than double annual revenues and reduce the reliance, on one major customer (i.e. a global soup company).
- Since taking full ownership of the business and completing the restructuring works, we have developed substantial capability for the manufacture of plant-based protein food products, with the products now being sold by contract customers into major retail stores across Australia. This capability will be expanded further in the FY20 year.
- BFC sales team was restructured and repositioned during the year to remove contracted third-party service providers and replace them with our own in-house sales personnel. As a result of this change, BFC now has its own market interfacing sales team with representatives on the ground in all mainland states.
- BFC won 43 new medals for its "Edwards Crossing" brand of cheese products during the 2018-19 year, bringing the total tally of medals to 113 in the last 3 ½ years. Apart from receiving many high-profile industry awards since listing, which in the FY19 included again the DIAA's Christian Hansen Cup for the Best Cheddar in Australia, BFC has also been awarded a Gold Award at the Nantwich International Cheese Show, held

in the UK in July 2019. This prestigious dairy judging event is the largest cheese awards event in the world and has been held since 1897. This year, over 500 cheese experts judged 5200 entries of the best cheese and dairy products from 27 countries. Also following another very successful SA Dairy Awards event held on Friday 9 August 2019, BFC won an additional 15 awards which included two trophies being; Champion Cheddar Cheese of The Show and Best Innovative Dairy Product (Entertainers' Selection).

- Whilst the winning of such awards is an industry validation for the skills and capabilities of both our cheesemakers and our milk suppliers, the importance of such awards is in having them translate into sales in the marketplace. The increased consumer recognition gained from these awards has helped to increase the demand for the BFC's products, in both food service and retail outlets. (Over the last quarter of FY19, our sales of retail cheese in the domestic market increased by 206%.)
- The building of our brand presence in important overseas markets also, particularly China and SE Asia, has enable us to wind back our international offices and achieve our objectives in a more cost-effective manner. A number of important strategic sales and distribution relationships have been put in place during the year (particularly in China, Thailand, Vietnam Philippines and Singapore/Malaysia) which will underpin BFC's presence in these regions.

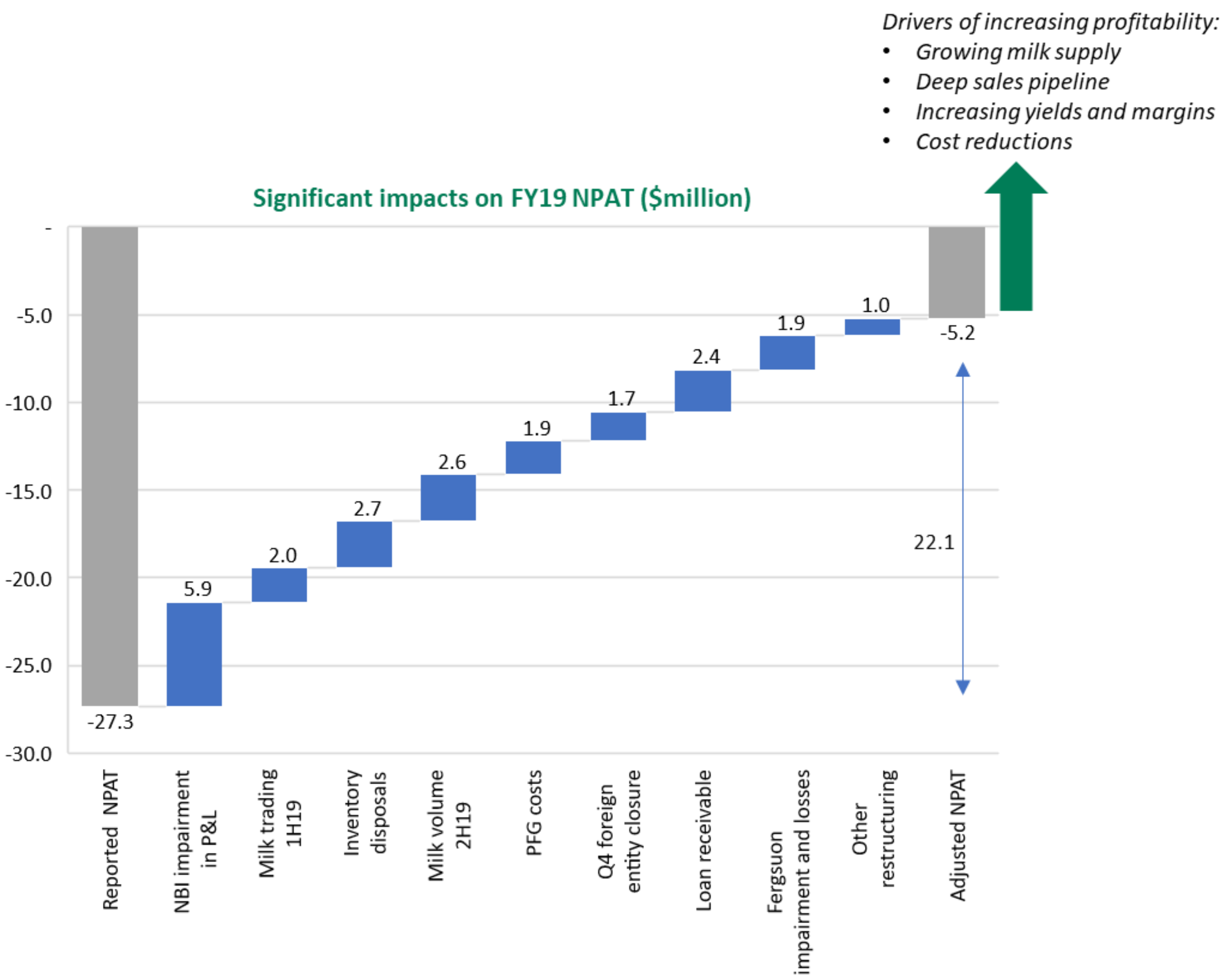
While these achievements are significant and have been transformative for the business of BFC, we have not achieved enough. We have not achieved our objective this year of producing a positive statutory net profit.

The FY19 financial performance of the Group was an overall statutory loss of $26.98 million (including the $5.9 million NBI impairment).

These statutory results reflect a number of challenges, one-off events and disappointments experienced during the FY19 year including:

- The flow-on effects of the later than scheduled commissioning of our mozzarella plant (including the later than anticipated take-up of orders and consequential lost margin opportunities).
- The impairment of NBI and Ferguson Australia.
- The redundancy costs associated with restructuring measures implemented in the Company during FY19 (including the wind-down of overseas offices).
- The disposal of inventories. The Company wrote off some mozzarella stocks from the early production runs (when the plant was in the process of being fine-tuned) due to the product not satisfying BFC's quality standards. Some mozzarella stocks were also written down which had been produced for several large customers but were not taken on schedule due to inconsistent fill rates on shelves by those customers.
- The flow-on effects of the severe drought across Australia which led to reduced milk supply and higher milk prices, resulting in higher conversion costs and less product available for sale.
- The difficult trading conditions in Q3 from reduced milk supply and higher prices was compounded by the down time and build out of capacity at PFG which occurred at the same time (had it not been for the impacts of these events, BFC was on track to more than double sales in FY19 over the previous financial year).

The impact of these items on FY19 NPAT can be seen in the chart below:



During FY19, we reviewed, reflected and re-set our direction, including:

- Identifying and focusing on the successful parts of the business being the core dairy and meat/protein businesses.
- Restructuring the sales team to remove third-party consultants and employing dedicated, experienced staff with a presence across all mainland States.
- Instituting a comprehensive operational and organizational review across all aspects of the Company: factories, farms, warehouses, customers, systems, people and culture.
- Re-setting the cost base through all areas of the Company's operations.
- Shoring up our milk supply with increased farmer interaction and a dedicated milk supply team.
- Increasing the acquittal of our milk supply into processing of BFC's own products.
- Restructuring the business of Provincial Foods to reduce costs, increase efficiencies, and diversify and increase the sales base.
- Growing our brand recognition through both broad and targeted marketing.

A number of these actions involved difficult decisions, particularly in relation to redundancies, but were necessary, not only to enable the transition and growth of our business from a Phase 1 "start-up" to the Phase 2 "consolidation" stage, but also to reflect the realities of today's market conditions.

The results of these actions started to show through in H2, and particularly in the last three months of FY19:

- The margins earned on sales have lifted significantly.
- Production yields in the factories have risen (i.e. we are now producing more cheese with less milk).
- Cost savings in the business which have been identified from the comprehensive review of operations, personnel, assets and commercial supply arrangements (i.e. input costs), along with the completion of the "build-out" phase of the Company's development, are translating into annualized savings of approximately $6 million (i.e. on a full year basis).
- An increase in cash available to the business.
- Improved awareness of BFC's brands in the marketplace (retail sales of the Company's Edwards Crossing Cheese products increased by 206% in Q4).
- The efficiencies introduced at Provincial Foods, and the capabilities which have been developed around plant-based protein food production, in addition to value-added meat products has pushed demand to capacity and substantially enhanced the overall viability of the PFG business. (The work done at Provincial over the last financial year has created the opportunity for BFC to be the trusted provider of premium protein products in Australia, at a time when the demand for both meat and alternative meat products is rising significantly.)

The significance of achieving operating efficiencies and cost savings in the business, along with changes made in our sales and marketing operations, is apparent in the Q4 results of the Company. Demand for our products exceeded our capacity to supply in the period, with each month in the period showing positive operating cash flows.

The Q4 period of FY19 represented an operational and financial rhythm in the business which we expect to be the normal, underlying, pattern of performance going forward.

BFC is a well collateralized business with significant hard assets and strong underlying asset values. We have a capable management team in place and strong operational capabilities with growth potential. We have re-set the cost base of the business over the FY19 financial year and established a sales team which is capable of continuing to grow both revenues and margins in FY20.

Our asset base provides the ability to consider a range of capital management options as we move forward. We have adopted a "be ready" position for strategic expansion opportunities and are currently evaluating several potential bolt-on opportunities.

We remain confident as to the outlook for the Company which is underscored, inter alia, by our forward sales volumes for 2019-20 (i.e. contracted sales volume, internationally and domestically). As at 30 June 2019, BFC has forward commitments for 82% of its budgeted production for 2019-20, all of which is contracted at higher margins than in the 2018-19 financial year.

2.0 Financial Results

This section 2 of the CEO Report is the Review of operations that is referenced in the Directors' Report.

The Company reported a statutory loss of $11.5 million at the half year ending 31 December 2018, after impairing its investment in NBI and incurring a number of non-recurring costs as previously reported, namely:

- The flow-on effects of the later than scheduled commissioning of the Company's new mozzarella plant;
- The changeover of BFC's sales team from an external third party to an insourced team in the latter part of Q2;
- Inconsistent fill rates by a number of new retail customers in the later part of Q2; and
- Write-downs of inventories from the early production runs of mozzarella.

These one-off, non-recurring impacts and costs were exacerbated in the second half by the very significant effects of the drought in Australia which led to a substantial reduction in milk intake, and a consequential, and dramatic increase in conversion costs at the factories.

While our own farms did not experience severe drought conditions (and indeed we substantially insulated from drought by virtue of our underground water supplies) the costs of fodder, grain and other shed feed increased dramatically (by 2 to 3 times) and more than doubled the input costs of our contract dairy farmers. These farmers responded by culling their herd numbers and the use of high energy feeds which in turn reduced milk supply to our factories.

The reduction in milk supply from our group of contract farmers resulted in our overall milk throughput for 2018/19 being 23% down on budget. Milk supply to BFC to 30 June 2019 was 103 million litres. The drop off in milk supply not only pushed up the unit cost of products, but also meant that our newly established in-house sales team had less dairy product available to sell.

The impact of these drought induced events was felt primarily in Q3 (January-March 2019), resulting in significant operating losses in that period.

The Company responded by further reducing costs across all operations via the comprehensive organizational review which commenced in H1.

In addition to the operating losses in Q3, we incurred the cost of further redundancies associated with the restructuring from our organizational review and with the wind down of personnel engaged in our overseas offices.

Pleasingly, these adverse events turned around in the fourth quarter when the significance of achieving operating efficiencies and cost saving in the business became apparent. Demand for our products exceeded our capacity to supply in Q4 with each month in the period showing positive operating cash flows.

As shown by the year end results, the pickup in performance in Q4 (sales up, costs down, margins up) was not sufficient to outweigh the operating losses and non-recurring costs incurred over the previous three quarters.

The FY19 financial performance of the Company was an overall loss of $26.98 million after including the NBI impairment of $5.9 million. The result includes the non-recurring transitional impacts and costs which reduced the result by approximately $22.1 million over the year. These matters are described below as they related to each division.

If we hadn't had the non-recurring one-off costs, our operating results would have been ahead of last year… but not by enough. We have to continue to improve our operational performance and extract further efficiencies from the assets which we have employed.

Notwithstanding the disappointing statutory result, the Directors of BFC remain confident about the underlying momentum, direction and performance of the Company. We have increased the topline revenues, margins and operating profits and cash flows over the previous financial year and believe that we are in a good position to continue to build on the Company's strong foundations to extract increased earnings from incremental sales revenues in this next period.

2.1 Dairy Division

The dairy division comprises the dairy farms owned by the Company and the dairy factories at Murray Bridge and Jervois.

2.1.1. Factories

Sales of dairy products were $75.4 million for the year an increase of 81% over the prior year. Total cheese produced was 5,790T, down from 6,297T in FY18.

Milk receivals at the factories totalled 102.8 ML 13.5% higher than 90.5ML in FY18. The total milk received fell short of the initially contracted volumes of 117 ML. This was especially felt in 2H19 when drought conditions and the loss of 4 farm suppliers saw monthly milk received averaging around 30% below plan in that period (as previously mentioned, overall milk throughput for 2018/19 was 23% down on budget).

Mozzarella production was 4,387T (FY18:1,244T) and sales were 4,364T (FY18:382T). Yield performance at the Mozzarella plant has continued to improve even at lower volumes of throughput than planned. This is an important result as small yield variances can have a significant impact on the quantity of product produced for sale and ultimately profit.

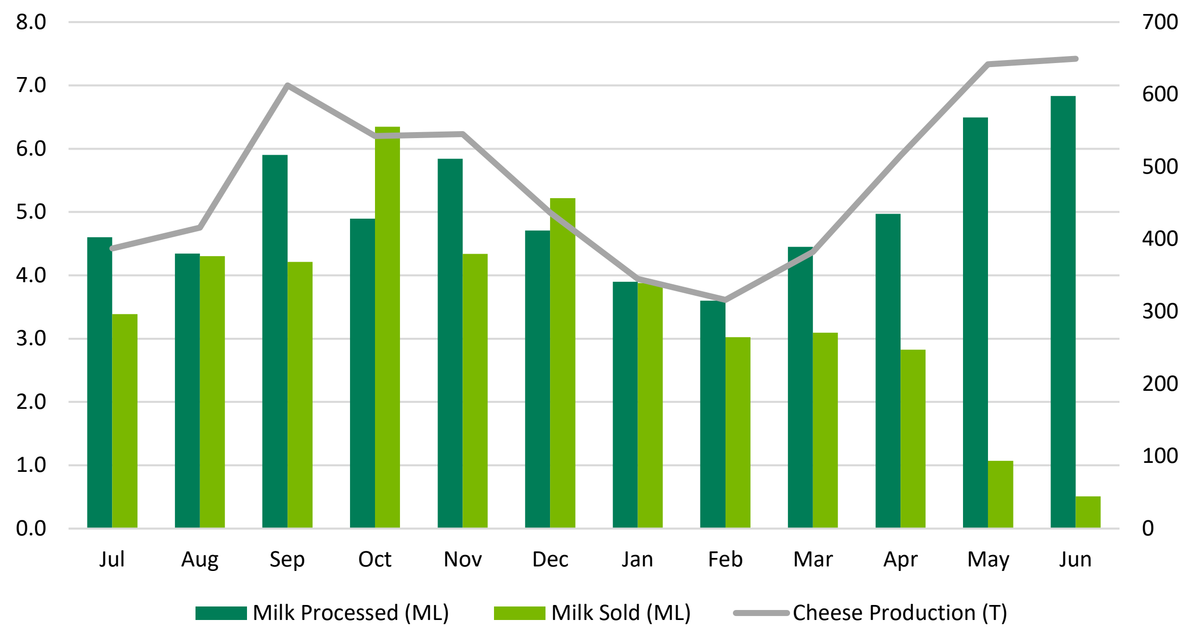
Cheddar production was reduced during the year in favour of the more profitable mozzarella products. Cheddar production was 1,404T (FY18:5,054T) and sales were 2,616T (FY18:3,753T).

The core sales of dairy products grew through the year as new customers were added. One significant new customer was Guzman Y Gomez, an Australian casual dining, quick service restaurant chain specialising in Tex-Mex dishes such as burritos, nachos, taco, quesadillas and other specialty items. Guzman Y Gomez currently has over 106 stores across Australia, as well as stores in Singapore and Japan. A number of different variations of the cheese have been trialled by Guzman Y Gomez over the last 12 months to identify the preferred recipes for the cheeses to be used by the Company in all of its stores across Australia. It is anticipated that annual supply to Guzman Y Gomez will exceed 500 tonnes in FY20.

Mozzarella and cheddar production in 4Q19 were substantially higher than earlier months with April at 516T, May at 642T and June was 649T which was the highest for the year. This was driven by significantly higher demand with milk supply constraints limiting production and sales volumes during this period.

The delay in the commissioning in the mozzarella plant in FY18 meant that mozzarella customer base for FY19 had not been established ahead of the spring milk flush period. With high levels of cheddar stocks already on hand, the significant milk surplus to production requirements was traded out. As this occurred during the spring flush the milk was only able to be sold at cost. Lost margin in 1H19 totalled $2.0m.

Dairy Factory Milk and Production Volumes



Milk continued to be traded through 3Q19 as demand was still building. However, the price received increased as milk went into short supply after the spring flush period due to the drought conditions. As noted earlier, milk receivals in 2H19 averaged some 23% below plan resulting in the lost margins.

With the large inventory position at 30 June 2018 and the slower growth in sales in the high milk supply period, the Group decided to reduce its inventory holdings and sell some of its production at lower prices to maintain cash flow and operational performance. Some Mozzarella stocks from the early production runs were also written down and disposed of due to the product not satisfying BFC's quality standards. The impact of the lost margin opportunities from these factors depressed the reported net result of the Group by approximately $2.7 million in total, after tax.

2.1.2 Farms

BFC owns four dairy farms in the South-Eastern region of South Australia which in aggregate, produce just over 17 million litres of milk. The farms total 1,546 hectares in size (i.e. 3,800 acres) and carry a 2,550 dairy cow herd plus dairy replacements (i.e. a total herd of 3,687).

The dairy farms owned by BFC have performed strongly during the year, despite the general drought conditions. Milk production on our BFC owned farms of circa 17.1 million litres exceeded the management budget and is up by 14% on FY18.

The herd size at 30 June 2019 of 3,687 cows has grown by around 700 cows in net terms since June 2018.

Operating costs on the farms were contained, despite industry-wide increase in feed costs, aided by a record silage harvest. The result demonstrates the benefits of the investments which have been made in farm improvement over the past three years (including via the acquisition of addition water, pasture improvement, herd enhancement and upgrading of on-farm management).

The properties also have access to significant quantities of underground water. BFC owns material permanent water rights of around 5,044 megalitres.

The balance of BFC's annual water supply are provided by third-party licenses, entitling the Company to a total of 6,077 megalitres of water, which has proven to be more than sufficient for requirements even in the drought of 2018.

Investments have been made by the Company into the farms in the past few years by way of improvements in infrastructure, herd profile, pasture quality and people.

Like all dairy farms in Australia during the past twelve months, our Company owned farms have been challenged with severe cost increases brought about by the drought induced feed shortages and resultant increases in the price of grain and dry fodder. Pleasingly, due to a combination of pasture improvement, increased fodder production and herd improvement, we were able to reduce grain consumption input costs, yet increase milk yield per cow (resulting in the total milk production on our farms being 2.2 million litres higher than in the previous financial year).

The on-farm infrastructure has been further improved during 2018-19 with the installation of two new irrigation centre pivots (one replacement and one addition) and the ripping and crushing of non-grazable stoney areas. This latter activity has increased the grazable areas on the farms by 40 hectares (approx. 100 acres).

Our revitalised and replacement breeding and purchasing program has seen 1,500 new heifers introduced to the herd during FY19, which has had a positive impact on productivity per cow.

For the first time, a maize silage crop has been grown on our Ashwood Farm, yielding 380 tonnes from an area of 20 hectares (i.e. around 19 tonnes per hectare). During financial year, we cut approximately 2.5 times the previous years' volume of pasture silage and hay from virtually the same area of land.

As a result of these initiatives, the dairy farms owned by BFC have performed strongly during the year, despite the general drought conditions. (As above, milk production of circa 17.1 million litres exceeded the management budget and was an increase of 14% on FY18 production).

Operating costs on the farms were contained, despite industry-wide increased in feed costs, aided by a record silage harvest. The result demonstrates the benefits of the investments which have been made in farm improvement over the past three years (including via the acquisition of additional water, pasture improvement, herd enhancement and upgrading of on-farm management).

Further benefits are expected to be obtained from these initiatives in the year ahead.

An independent valuation of the BFC owned farms as at 30 June 2019 shows that the farms have increased in value by $4 million over the past twelve months to $30m.

2.1.3 Overall Result

The overall trading result for the dairy division (factories and farms) was a loss of $12.5m before tax or $8.8m after tax.

2.2 Meat Division

The Group's acquisition of Provincial Foods Group (renamed from Scorpio Foods) was completed on 23 August 2018 (prior to this time, BFC held a beneficial interest in Scorpio of 45%).

Since acquisition, BFC has completed the extensive transformation of this business.

In the lead up to acquiring 100% ownership of the business, it commenced a number of significant changes. The Colac factory in Southwest Victoria was sold and the Dandenong office was closed. All retained equipment was relocated to the Shepparton cold storage facility where five cold storage rooms were refitted for manufacturing and SQF food processing accreditation was obtained.

Since August 2018, much of the processing equipment has been replaced and upgraded with the latest technology. The company has also been rebranded as "Provincial Food Group" to reflect the ever-growing focus from consumers on provenance and understanding the origins of the food they purchase.

In conjunction with the restructure of the business, the property at Shepparton previously occupied under a lease arrangement, was purchased and is now an asset of BFC. A new General Manager was also appointed, Luke Bramston, who has a long history in food manufacturing, formerly as part of the Topcut Meats Group.

The need for a change in direction of the business was highlighted in October 2018 when a single major customer, which previously accounted for close to 80% of the revenues of the business, held a shut-down of their business for two weeks, which ultimately extended to four weeks. Purchase orders were subsequently much lower than initial customer forecasts.

With the repositioning of the business, the focus on profit and growth has been to:

- Extend the Core: capture higher end users of burgers, sausages, and meatballs in Australia. (Supply to a significant burger chain has recently been secured.)
- Expand Export Sales: PFG has moved into portion control cutting and gained orders for retail prepared steaks with a major food company in South East Asia.
- Diversify Product Lines: using PFG's manufacturing IP, the business has been able to apply its improved capabilities to provide tailored solutions to a wider range of customers.
- Build Food Service Capabilities: PFG has developed a food service range under a new brand "5026".

Production trials were held in January/February 2019 for three new major customers. These trials were successfully concluded resulting in commercial agreements which are expected to contribute at least $10 million per annum in revenues. The initial fill for these contracts occurred through May and June and into July. Monthly revenues nearly doubled largely as a result of the commencement of the new contracts from $0.6m in January to $1.2m in June.

As part of the repositioning of the business, PFG has developed substantial capability in the manufacture of plant-based protein food products. Through the expertise developed in-house, and the purchase of specialized, dedicated equipment from overseas, PFG has, over the past six months, developed into one of the largest contract manufacturers of plant-based protein foods in Australia. PFG is now supplying alternative meat products to many of the leading brands of vegetarian and vegan products sold in retail stores across Australia.

Notwithstanding the considerable successes achieved at PFG through the restructure and repositioning of the business, the financial results bore the impact (on both revenues and costs) of the transformation strategies implemented across the business and the initial costs of production trials and ramp up, which will not recur.

PFG reported a loss after tax of $1.9 million since acquisition.

2.3 Other

The financial result was also impacted by the decisions to close the Thailand and China offices. This decision resulted in redundancy costs, stock write downs and related cost totalling $1.7m after tax incurred or provided for in 4Q19.

Other restructuring costs incurred in FY19 related to staff redundancies and the AQUAEssence water business and totalled $1.0m.

The Group's seafood assets have since January 2018 been the subject of a sale process run by Ferguson Fisheries. The sale process was not successful and at 30 June 2019 the Group has written down its investment in Ferguson Australia to nil. The total write-down of the Ferguson Australia investment is partly reflected in the profit and loss statement as a result of applying retrospectively equity accounting for the investment. The profit and loss statement include equity accounted losses for the current year and prior year of $762k and an impairment write down of $893k as at 31 December 2018. Refer to note 14 in the financial statements for more details of this accounting requirement.

The profit and loss account also include an impairment charge of $2.4million to write down to nil the carrying value of a loan receivable from an entity domiciled in China.

No dividends will be payable in respect of the 2018-19 financial year.

3.0 Milk Supply

The dairy industry in Australia has experienced one of its most difficult periods in recent history over the last twelve months. Crippling drought conditions particularly in the northern parts of the country, dramatically increased the cost of stock feed (by between 200% and 300% for much of the year). Farmers responded to the situation by reducing cow numbers and the use of high energy feed, all of which reduced the available supply of milk.

BFC contracted for the supply of 117 million litres of milk for the year (against a target of 130ml) but the reduced on-farm production by its contract dairy farmers meant that the actual milk received only totalled 103 million litres.

Pleasingly, the milk supplied by BFC's own farms actually increased during the period, notwithstanding the flow-on effects of the drought. The on-farm milk production totalled 17.1 million litres, up by 15% on FY18.

After starting from a position of zero milk supply in 2015 (except for that from our own farms, BFC now takes in 21% of all milk produced in South Australia on an annual basis. Our longer-term target is to account for 30%-40% of milk produced each year in the State of South Australia.

We value highly the relationship with our contract dairy farmers. Our farmers, along with the whole of the dairy industry, have had to face a wide mix of complex issues and challenges in this last year, including drought, increased feed costs, soaring energy prices and critical labour shortages (as a number of farmers, particularly older farmers retiring, have left the industry).

We recognize that out relationships with farmers isn't simply about milk supply… it is also about the welfare and livelihood of the farmers, their families and the rural communities in which they live. For this reason, we work closely with our farmers, and with the South Australian Dairyfarmers Association (SADA) to ensure that we contribute in as many ways as possible to their well-being, and that of their families.

We have committed to working on our own farms, as well as with our contract dairy farmers to ensure that we are adopting world best practices in farm milk production and that we are a processor of choice as a result of adopting best industry practices in our factories.

The historic connection between farmers and processors in the Australia Dairy Industry is well documented. At BFC, we have sought to use our size, access and agility to drive an even closer and more engaging relationship with our farmers. With between 30-50 contract farmers on our books, for 100-130 million litres supply (compared to large processors with thousands of farmers and millions of litres), we believe that we can provide our farmers with a stronger voice, faster decision making, and a sense of partnership with BFC.

As we go into the 2019-20 milk season, we will continue to position ourselves as a business of choice for dairy farmers based on trust, reliability and transparency. In FY19, we engaged a dedicated Milk Supply Manager who is known by farmers for his commitment to providing a high level of service. Our dairy business lifeline is a sustainable consistent milk supply and we remain committed to delivering outcomes that will have long term benefits for our farmers along with all stakeholders.

The outlook for the 2019-20 season is for a material increase in milk prices. It is pleasing that we are now starting to see the true value of milk as a food product recognized by the market even though this will translate into higher input costs for BFC, and for all dairy processors in Australia. The stronger milk prices will be good for farmers and their families, and for rural communities.

The challenge for BFC will be to manage these cost increases by getting even better at what we do in the factories, and by continuing with the strict disciplines we have put in place around cost controls.

4.0 Non-Core Assets

The investee companies Neptune Bio Innovations Pty Ltd (NBI) and Ferguson Australia Pty Ltd (FA) made no contribution to the Group's operating results in the FY19 financial year. These companies have not performed to budget expectations or to the forecasts prepared by independent financial experts at the time of our investment.

Neptune Bio Innovations

As part of the restructuring in H1, we undertook a review of all of our investments, assets and supply arrangements. This review resulted in a decision to fully impair the Company's investment (equity and convertible notes) in Neptune Bio Innovations (NBI) as reported at the half year ended 31 December 2018.

NBI has demonstrated a proven ability to formulate and commercialise a portfolio of health brands into the Australian consumer health market. The Company has progressively launched its core brands of BioLyte (Oral Rehydration), Heart Salt (60% reduced sodium salt) and Sweetin (natural sugar replacer) since early 2019 which have been rolled out into over 1,500 Australian pharmacy stores through national chains such as including Chemist Warehouse, Priceline Pharmacy, Chemsave and Pharmacy Choice.

As previously noted in the BFC First Half Results announcements, the market release of NBI's innovative, naturally based urinary tract infection product (URICIL) has now been made to selected pharmacies across Australia.

Notwithstanding these activities by NBI, BFC has been unable to obtain a line of sight on future revenues and earnings at least at a significant level of certainty to satisfy its impairment test. Accordingly, the Company resolved to full impair its equity and Convertible Notes interests in NBI.

BFC will continue to retain our securities in NBI (i.e. 10% shareholding and 10% beneficial Convertible Note interest) and use NBI for technical support for our operations as required. However, the operating results of BFC will not, henceforth, be affected by the activities of NBI. Any gains to BFC which may arise from the actions taken by NBI to capitalise on its distribution agreements and/or the raising of additional funds to finance its growth will be recognised at the time.

The Investment Manager, BPAM has worked with NBI, at BPAM's cost, over the past financial year to assist NBI in realising value from the progress which it has made in developing pharmacy and retail health products for the Australian and global markets, particularly in the high growth markets of Asia. Through this work, NBI has recently signed an agreement (in August 2019) which will provide distribution access into China and Hong Kong throughout a well-established Asian pharmacy network. NBI is scheduled to deliver its first shipment of Lactoferrin drops, Algae DHA and Phospholipids, Probiotic Drops into this pharmacy network in October 2019.

Ferguson Australia

BFC's equity investment of 32% in seafood company Ferguson Australia had been classified as an "asset held for sale"(along with the Group's investments in lobster licenses and a property both leased to Ferguson Australia), as a consequence of the decision by the Ferguson family to place the business of Ferguson Fisheries (which includes their 68% interest in Ferguson Australia) on the market for sale. A sale had not been affected as at 30 June 2019.

Due to the lack of a successful sale outcome, the Group was required to reclassify the assets held for sale back to their appropriate classifications in the balance sheet. At 30 June 2019, the Group's investment in Ferguson Australia Pty Ltd has been written down to nil. Refer to note 14 in the financial statements for more information on the accounting requirements in this regard.

The Group still intends to dispose of its interests in the seafood assets in the near future. However, this may not be as a package of assets as was previously intended. The main seafood asset held by the Group are the lobster licenses which have been independently assessed to have a market value in excess of $7.0 million.

5.0 International Division

BFC has since listing, operated two main International Offices in China and Thailand. Both of these markets are of high importance to the Company. Throughout FY19 we have been examining new models of how we can achieve our objectives in these markets in a more cost-effective manner, while building on the brand presence we have established over the past three years in these markets. A number of strategic sales and distribution relationships have now been put in place to service, and importantly, grow BFC's presence in these regions. This has enabled BFC to commence winding down its two main offices in both China and Thailand. The impact on BFC's cost line from winding down these offices and increasing the use of third-party sales and distribution arrangement in-country is expected to be significant over the FY20.

Consistent business has been on-going in the markets of China, Malta, Thailand, and Japan in recent years and we expect that our market footprint in these countries will continue to expand in FY20.

With the strong recognition of our brands in China, BFC was selected as one of the key suppliers to the new Costco China store in Shanghai. The Company's "Mable's" brand of cheese products featured in the opening specials at the launch of the first Costco store in China on 26 August, 2019.

With the emphasis on building the Mozzarella market, the focus in the first six months of FY19 was establishing new international relationships. This focus has been underpinned by favourable customer responses received from many new markets such as Vietnam, Canada, Philippines and South Korea, all of which are indicating significant volume interest in Mozzarella and associated bi-products.

Successful participation in international events such as HOFEX held in Hong Kong, SIAL held in Shanghai China and Food Expo held in South Korea, saw planned outcomes achieved at each event, with potential follow through expected in FY20 and beyond.

Our Private Label offerings have also gained momentum in the global marketplace with interest being shown from New Zealand and Philippines.

During FY19, BFC has had a significant number of important internationally required certifications approved or renewed such as KOSHER, HALAL, HACCP, ISO, SQF.

In FY20 significant savings are expected to be achieved as a result of the strategic decision to manage and operate overseas sales opportunities largely out of Adelaide using international distributors which are commercially and culturally aligned with BFC. This change, coupled with strong performance indicators coming through in the first quarter of the FY20, are expected to see international business volumes continue to increase in line with budget targets.

6.0 Beston Technologies

A fundamental part of the core objectives of BFC, from the outset, was to not only be able to supply premium, healthy food and beverage products to consumers, but also to be able to ensure consumers that they were “safe”. That is, we wanted to be able to empower the consumers of BFC products to authenticate the products (i.e. ensure that they were not “fake”) and be able to track-and-trace the ingredients and verify their provenance.

When we learned that we were not able to purchase some “off the shelf” technology for this purpose, we set about building our own. The technology platform developed by 100% owned Beston Technologies Pty Ltd, has been awarded 13 patents, including a block chain patent from the USA.

The end-to-end traceability (OZIRIS) and anti-counterfeiting technology (Brandlok) platform is delivered on a mobile phone App (in English, Mandarin and Arabic languages), enabling consumers to verify the source, logistics, producers, quality and integrity of food and beverage products. The technology provides a comprehensive and compelling solution to allay the fears of consumers about food source and integrity, allowing them to verify the product they are looking to purchase as safe to eat, with the assurance and confidence that the product is authentic and can be verified.

BFC has previously advised shareholders of its intention to commercialise the Beston Technologies Pty Ltd (BT) business to allow it to realise is full potential and enable BFC to focus on its core business as a food and beverage company. BFC has expended significant funds to develop its IP and technology platform and sees the opportunity to have the technology used by other food and beverage companies to provide traceability and assurance to consumers in Australia, China, Asia and elsewhere to combat counterfeiting.

In February 2018, BFC announced a possible merger with DataDot Technology Ltd (DDT) which valued BT at $13 million, reflecting an independent valuation of BTs technology by Deloitte Finance Ltd. The merger proposal was centred around creating an Australian-owned and integrated e-commerce traceability and anti-counterfeiting software-as-a-service (SaaS) solution across a range of industries and was subject to a number of pre-conditions and provisions, including mutual due diligence and other investigations.

As part of the work undertaken for these merger investigations, BFC commissioned an independent review of its technology by the technology consulting firm Readify Pty Ltd (a subsidiary of Telstra Corporation). The review concluded, that the Beston Technology Platform (combining OZIRIS and Brandlok):

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

The review identified a number of areas for enhancements particularly in relation to cyber security protections, which Readify were subsequently engaged to implement.

In May 2019, the Board of BFC in consultation with DDT resolved to discontinue its investigations and negotiations in relation to the possible merger of Beston Technologies with DDT following the announcement of a number of corporate changes at DDT which resulted in a change of control and a change of direction by the Company.

BFC has continued with the work necessary to ensure the robustness of its systems and facilitate their transitioning to become a software-as-a-service provider to other companies seeking solutions for product integrity and authenticity assurances to customers. This work is also focussed around reducing the cost to users and increasing its affordability relative to other emerging competitors and alternative solutions in the marketplace.

7.0 Capital Management

The Company announced on 11 January 2019 that it was giving consideration to capital management initiatives to assist the Company in improving its profitability in the near term. The Board of BFC believes that there are compelling opportunities to allocate capital to projects which can accelerate the profitability of the Company.

As part of the process of implementing the restructuring changes outlined above, the Company identified a number of areas in the factories and farms where investment in new technology and plant and equipment could result in cost savings and increases in profits from the existing revenue base.

The investment areas relate to in-house packaging, dairy protein expansion, storage and logistics, production line upgrades, ESG cost saving measures and dairy cow herd expansion.

The areas identified are all "low hanging fruit" in terms of providing relatively short pay-back periods (i.e. less than four years) and have now been developed into detailed costed "priority projects".

As well as providing the opportunity to extract greater returns from the existing asset base at the dairy factories, the projects will also enable full oversight of the quality assurance processes and total control over the quality of the end products shipped to customers. Many of the projects will also generate significant environmental benefits.

A number of high value-added "priority projects" have been earmarked for investment. These, as previously announced, include:

- The acquisition and installation of plant and equipment to bring the Company's Cut, Pack and Shred requirements back in-house (these services are currently provided by interstate third party contractors at an annual cost of approximately $3m).
- Further expansion of the Company's dairy nutraceutical capabilities to produce other high demand products in addition to the current production of Lactoferrin.
- Energy cost reductions through the introduction of solar energy-based solutions to the Company's power needs at its two dairy factories at Murray Bridge and Jervois in South Australia, subject to further commercial review. (Electricity and gas are the largest operating costs in the conversion of milk into cheese).
- The refurbishment of the production facilities of Provincial Food Group at Shepparton to add new and improved capability.
- The introduction of trade waste recycling and treatment equipment at the Murray Bridge factory (to save the costs of waste cartage and dumping and enable the recapture of cheese fines and nutrients currently lost in the waste water).

- The acquisition of additional dairy cows to utilise the expanded productive capacity of the Company's farms and increase on-farm milk production.

The Company has been involved in discussing a range of options for funding these projects and increasing the Company's working capital to the level which Directors believe is appropriate to support the Company growing profitably (including by securing additional milk volume) whilst managing the on-going volatility in the dairy industry.

While no final decisions have been reached as yet on these capital management options, the Company has pushed ahead with implementing a number of these projects from its own internally generated cash flow and through the selective use of plant and equipment finance.

The projects implemented have been described in the operations reports above and in summary are:

- The addition of 1,500 new dairy cows at the BFC owned dairy farms at Mount Gambier (for both replacements and additions).
- The expansion of the Company's dairy nutraceutical capabilities with the installation of freeze drying and milling equipment at the Jervois factory
- The installation of new plant and equipment at the PFG Shepparton Factory to increase both the capacity and efficiency of production. The refurbishments at PFG have included the complete renovation of all production rooms, the addition of a new waste water treatment system and the establishment of capability in the manufacture of plant-based protein alternative-meat products.

In addition to these completed projects, work is progressing on the selection of a comprehensive renewable energy solution to be installed across the Company's factories and farms. A preferred supplier will be selected after completion of the current tender process. The objective is to have the capital costs of the solar based system fully met by the contracted supplier on a user pays cost recovery arrangement. With expected savings to BFC of at least $500,000 per annum in energy costs once installed.

BFC is also currently evaluating various options for the Company's dairy product packaging needs (cut, pack and shred) facility with a view to progressing the most practical and economic solution within FY20.

8.0 Forward Focus

The forward focus of BFC in FY20 is around the Volume, Value and Velocity strategy which has been implemented in the business following on the from the comprehensive commercial review which commenced in H1 and continued through H2. Put another way, it is about continuing the sales drive, getting costs out, increasing margins and conserving cash.

We are pleased with the achievements we have made in these areas during FY19 and particularly with the initiatives taken to broaden our revenue base and drive cost reductions as we have progressed from a Phase One start-up Company to a Phase Two consolidation stage business.

In simple terms, BFC has transformed and consolidated into a protein business; dairy protein, meat protein, and plant-based protein products.

While acknowledging that we didn't meet all of our targets for the year, we have been able to tick off a large number of the objectives which we set for ourselves at the start of the FY19.

These include:

- Putting much more of our milk supply into our own products
- Lifting the level of financial discipline across the Company
- Recruiting a new CEO
- Repositioning of the BFC sales team with our own in-house personnel, located across all mainland States
- Increasing the market awareness of BFC's dairy products through the winning of 43 new awards for quality.
- Moving PFG from a "dice and grind" business to a provider of tailored food solutions with a substantial capability and know-how in the manufacture of plant-based protein (alternative meat) foods.
- Re-setting the cost base of the business (with savings in all areas of operations including personnel, freight, storage, chemicals, gas, electricity and contractors).

Mozzarella sales represent the fastest stock and cash cycle within our dairy assets and therefore have and will continue to be, a key imperative for management.

The meat business, Provincial Food Group (PFG) as explained in Section 2.22 above, has undergone an extensive transformation during FY19. The response from the market to the new format of the Company has been pleasing, with sales for May of $1.1 million and June $1.2 million, up from $761K in April 2019.

While all dairy companies in Australia were adversely affected by the widespread drought conditions affecting milk supply and prices we believe that as a result of the actions taken this year, we have developed a company which is more robust and more able to withstand exogenous shocks when they occur, such as the drought in FY19, than would have otherwise been the case.

Aside from further improving our operational efficiencies in FY19 to improve profitability, we intend to capitalize on the revenue and profit levers we have put in place over the last few years, including by:

- Making greater use of our mozzarella plant to manufacture a more diverse range of products.
- Building on our relationships with dairy farmers to increase our total milk supply.
- Extending the capabilities in our dairy nutraceutical plant.
- Further exploiting the substantial production capacity and technical intellectual property which we have now developed at PFG in the manufacture of plant-based protein food products.
- Capitalising on our new product development (NPD) skills and track record (such as with Edwards Crossing "Fancy Bites") to take more innovative niche products to market where we have pricing advantages.

The clear focus for management in FY20 is to deliver increasing product sales in both the dairy and meat/protein divisions while achieving further production efficiencies and cost reductions. As at 30 June 2019, BFC has forward sold 82% of its budgeted dairy production for 2019-20, all of which is contracted at higher margins than in the 2018-19 financial year.

Jonathan Hicks, CEO

Directors' report

The Directors present their report on the consolidated entity consisting of Beston Global Food Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the Group.

Directors

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

R N Sexton

S Gerlach

P Coventry

J Kouts

I McPhee

C Cooper

Principal activities

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

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

Dividends - Beston Global Food Company Limited

There were no dividends provided for during the year ended 30 June 2019 (2018: 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 arisen since 30 June 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Refer to the operating and financial review on pages 12 to 17 for information on likely developments and future prospects of the Group.

Environmental regulation

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

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

Environmental regulation (continued)

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

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

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

Group compliance activities include:

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

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

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

Information on directors

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

Stephen Gerlach, AM LL.B, FAICD *Non-executive director*		
Experience and expertise	Stephen Gerlach is a corporate adviser and company director. He was formerly a Partner and the Managing Partner of Finlaysons Lawyers for 23 years. Stephen is the Chancellor of Flinders University of South Australia. Stephen was a Director and Chairman of Santos Ltd, and Elders Limited, and Chairman of Equatorial Mining Ltd. Stephen has also been a Director of a number of other public companies including Southcorp Holdings Ltd, and has been, and continues to be, involved in many not for profit organisations including the Australian Cancer Research Foundation, the General Sir John Monash Scholarship Foundation and Foodbank SA.	
Other current directorships		
Former directorships in last 3 years		
Special responsibilities	• Member of remuneration and nomination committee	
Interests in shares	Ordinary shares	3,476,445

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

Information on directors (continued)

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

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

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

Company secretary

Richard Willson, B.Acc, FCPA, FAICD

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

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

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

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

	Full meetings of directors		**Meetings of committees**			
			Audit		**Remuneration and nomination**	
	A	**B**	**A**	**B**	**A**	**B**
R N Sexton	12	12	7	7	-	-
S Gerlach	12	12	-	-	2	2
P Coventry	12	12	-	-	2	2
J Kouts	12	12	-	-	1	2
I McPhee	12	12	7	7	-	-
C Cooper	12	12	7	7	-	-

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

Remuneration report

The Directors present the Beston Global Food Company Limited 2019 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The remuneration report has been audited.

The report is structured as follows:

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

(a) Key management personnel covered in this report

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

Other key management personnel

Name	Position
S Ebert	Chief Executive Officer (until 1 October 2018)
D Flew	Chief Financial Officer
R Sexton	Executive Chairman (until 7 January 2019)
J Hicks	Chief Executive Officer

(b) Remuneration policy and link to performance

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

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

(c) Executive contracts

(i) Management fee

The Group has a formal Investment Management Agreement with BPAM as the Investment Manager to outsource key management activities for a fee of 1.20% (exclusive of GST) per annum of the Group's portfolio value. This fee is calculated half yearly and paid monthly with an initial term of 5 years. During the year ended 30 June 2019, BPAM was paid $2,438,144 under this arrangement (2018: $2,380,498).

(ii) Performance fee

Under the terms of the Investment Management Agreement, BPAM is also entitled to a performance fee based upon the market capitalisation of BFC and the performance of the BFC’s share price relative to the ASX All Ordinaries Accumulation Index. In February 2016, the Directors and BPAM agreed that the commencement date of the performance period would begin from 1 January 2016, with an initial net asset value of $0.3468 per share. In accordance with this agreement and the performance of BFC, the Investment Manager would have been entitled to receive a performance fee of nil for the year ended 30 June 2019 (2018: nil).

The key metrics of the fee are summarised below:

Key metrics	1 July 2018	30 June 2019	Performance
Beston Global Food Company Limited	$0.18	$0.12	-31.34%
ASX All Ordinaries Accumulation Index	$62,434.90	$69,326.90	11.04%

Remuneration report (continued)

(c) Executive contracts (continued)

(ii) Performance fee (continued)

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

The performance fee is calculated as follows:

A. Market capitalisation	$53,197,904.04
B. Outperformance factor (BFC TSR% - ASX:XAOAI TSR%)	-42.38%
C. Agreed performance fee %	17.5%
Total performance fee for the 12 months to 30 June 2018: A x B x C	$0.00

Based on the share price performance during the period, no expense has been recognised for the year ended 30 June 2019.

(d) Link between remuneration and performance

Statutory performance indicators

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

	2019	2018	2017	2016	2015
Profit for the year attributable to owners of ($'000)	(26,975)	(12,593)	(7,749.0)	(1,716.0)	(1,103.0)
Basic earnings per share (cents)	(6.1)	(2.8)	(1.8)	(0.5)	(0.5)
Share price at year end (cents)	12.0	17.5	22.5	40.4	-
Net tangible assets per share (cents)	13.7	23.6	28.3	33.7	99.2
Dividends payments ($'000)	-	-	-	2,179.0	-

Remuneration report (continued)

(e) Remuneration expenses for non-executive directors

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

		Short-term benefits			Post-employment		Long-term benefits	Share-based payments		
Name	**Year**	**Cash salary***	**Cash bonus***	**Non-monetary benefits***	**Super-annuation benefits****	**Other post employ-ment benefits****	**Annual and long service leave*****	**Shares**	**Share options**	**Total**
		$	$	$	$	$	$	$	$	$
R N Sexton	**2019**	60,000	-	-	5,700	-	-	-	-	65,700
	2018	60,000	-	-	5,700	-	-	-	-	65,700
S Gerlach	**2019**	40,000	-	-	3,800	-	-	-	-	43,800
	2018	40,000	-	-	3,800	-	-	-	-	43,800
P Coventry	**2019**	40,000	-	-	3,800	-	-	-	-	43,800
	2018	40,000	-	-	3,800	-	-	-	-	43,800
J Kouts	**2019**	40,000	-	-	3,800	-	-	-	-	43,800
	2018	40,000	-	-	3,800	-	-	-	-	43,800
I McPhee	**2019**	40,000	-	-	3,800	-	-	-	-	43,800
	2018	40,000	-	-	3,800	-	-	-	-	43,800
C Cooper	**2019**	40,000	-	-	3,800	-	-	-	-	43,800
	2018	40,000	-	-	3,800	-	-	-	-	43,800
Total NED	**2019**	**260,000**	**-**	**-**	**24,700**	**-**	**-**	**-**	**-**	**284,700**
remuneration	2018	260,000	-	-	24,700	-	-	-	-	284,700

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

No share-based payment in the form of Founders' Rights options were granted during the year from Beston Global Food Company Limited (2018: $nil). Refer to part (f)(i) of this remuneration report for further details.

(f) Director arrangements

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

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

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

In addition, Directors will be entitled to statutory superannuation.

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

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

Remuneration report (continued)

(g) Additional statutory information

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

Share holdings

2019 Name	Balance at the start of the period	Acquired during the period	Founders rights exercised during the period	Balance at the end of the period
Ordinary shares				
R N Sexton	18,306,215	-	-	18,306,215
S Gerlach	3,476,445	-	-	3,476,445
P Coventry	57,142	-	-	57,142
J Kouts	142,857	-	-	142,857
I McPhee	1,000,000	-	-	1,000,000
C Cooper	355,000	-	-	355,000
Total	23,337,659	-	-	23,337,659

(ii) Loans to key management personnel

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

(iii) Other transactions with key management personnel

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

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

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

	30 June 2019 $	30 June 2018 $
Amounts recognised as expense		
Cost of goods sold	-	177,444
Amounts recognised as assets		
Inventory	-	684,828
Amounts recognised as liabilities		

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

This is the end of the audited remuneration report.

Shares under option

(a) Unissued ordinary shares

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

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

(b) Shares issued on the exercise of options

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

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Beston Global Food Company Limited paid a premium of $30,450 to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

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

(b) Indemnity of auditors

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

Proceedings on behalf of the company

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

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

Non-audit services

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

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

	2019 $	2018 $
Advisory services		
Ernst & Young Australia firm:		
Capital and debt advisory services	110,000	-
Total remuneration for advisory services	110,000	-
Taxation services		
Ernst & Young Australia firm:		
Tax compliance services	41,156	84,442
Tax due diligence services	54,068	-
Total remuneration for taxation services	95,224	84,442
Total remuneration for non-audit services	205,224	84,442

Rounding of amounts

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

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

R N Sexton
Chairman

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Beston Global Food Company Limited

As lead auditor for the audit of the financial report of Beston Global Food Company Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

BJ Pollock
Partner
Melbourne
30 August 2019

Beston Global Food Company Limited
ABN 28 603 023 383
Annual financial report - 30 June 2019

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

The financial statements are presented in the Australian currency.

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on page 12 and in the directors' report on page 25, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on the 30th August, 2019. The Director's have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Revenue from continuing operations			
Sale of goods	2	84,794	47,877
Other revenue	2	431	382
		85,225	48,259
Other income	3(a)	882	2,796
Expenses			
Cost of sales of goods		(81,078)	(42,548)
Other expenses from ordinary activities			
Operating overheads		(11,539)	(10,867)
Selling and distribution		(2,398)	(2,832)
Corporate overheads and business support		(11,966)	(12,264)
Loss from operations		(20,874)	(17,456)
Finance income	3(c)	358	1,010
Finance expenses	3(c)	(1,646)	(60)
Net finance income		(1,288)	950
Impairment of financial asset	14(c)	(9,615)	-
Share of profit/(loss) from associates	10(a)	(762)	(22)
Loss before income tax		(32,539)	(16,528)
Income tax benefit	4	5,224	3,435
Loss for the period		(27,315)	(13,093)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	9(b)	(196)	245
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at FVOCI	14(c)	(8,693)	-
Total comprehensive loss for the period		(36,204)	(12,848)
Loss is attributable to:			
Owners of Beston Global Food Company Limited		(26,975)	(12,594)
Non-controlling interests		(340)	(499)
		(27,315)	(13,093)
Total comprehensive loss for the period is attributable to:			
Owners of Beston Global Food Company Limited		(35,864)	(12,349)
Non-controlling interests		(340)	(499)
		(36,204)	(12,848)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	20	**(6.08)**	(2.84)
Diluted earnings/(loss) per share	20	**(6.08)**	(2.84)

Consolidated balance sheet
As at 30 June 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents	5(a)	1,920	4,463
Trade and other receivables	5(b)	15,740	26,630
Inventories	6(d)	14,192	22,604
Total current assets		31,852	53,697
Non-current assets			
Receivables	5(b)	-	5,849
Investments	14(c)	-	16,253
Property, plant and equipment	6(a)	68,168	56,346
Biological assets	6(c)	5,303	4,880
Deferred tax assets	6(e)	15,802	8,351
Intangible assets	6(b)	19,437	13,309
Total non-current assets		108,710	104,988
Total assets		140,562	158,685
Current liabilities			
Trade and other payables	5(c)	15,689	14,028
Borrowings	5(d)	5,516	21,444
Current tax liabilities	4(a)	45	45
Employee benefit obligations	6(f)	428	230
Total current liabilities		21,678	35,747
Non-current liabilities			
Borrowings	5(d)	35,807	-
Deferred tax liabilities	6(e)	2,785	1,576
Employee benefit obligations	6(f)	179	70
Total non-current liabilities		38,771	1,646
Total liabilities		60,449	37,393
Net assets		80,113	121,292
EQUITY			
Contributed equity	9(a)	147,535	147,535
Other reserves	9(b)	(9,135)	(237)
Accumulated losses	9(c)	(58,133)	(26,192)
Capital and reserves attributable to owners of Beston Global Food Company Limited		80,267	121,106
Non-controlling interests	14(b)	(154)	186
Total equity		80,113	121,292

Consolidated statement of changes in equity
For the year ended 30 June 2019

	Note	Attributable to owners of Beston Global Food Company Limited					
		Share capital $'000	Other reserves $'000	Accum-ulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017		147,535	(482)	(13,598)	133,455	685	134,140
Profit/(loss) for the period		-	-	(12,594)	(12,594)	(499)	(13,093)
Other comprehensive income/(loss)		-	245	-	245	-	245
Total comprehensive income for the period		-	245	(12,594)	(12,349)	(499)	(12,848)
Balance at 30 June 2018		147,535	(237)	(26,192)	121,106	186	121,292
Balance at 1 July 2018		147,535	(237)	(26,192)	121,106	186	121,292
Adjustment on adoption of AASB 9	22(a)(iii)	-	-	(4,966)	(4,966)	-	(4,966)
Restated total equity at the beginning of the financial year		147,535	(237)	(31,158)	116,140	186	116,326
Profit/(loss) for the period	9(b)	-	(9)	(26,975)	(26,984)	(340)	(27,324)
Other comprehensive income/(loss)		-	(8,889)	-	(8,889)	-	(8,889)
Total comprehensive income for the period		-	(8,898)	(26,975)	(35,873)	(340)	(36,213)
Balance at 30 June 2019		147,535	(9,135)	(58,133)	80,267	(154)	80,113

Consolidated statement of cash flows
For the year ended 30 June 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		87,415	48,043
Payments to suppliers and employees (inclusive of goods and services tax)		(95,275)	(77,945)
Interest paid		(1,612)	(60)
Interest received		358	185
Net cash (outflow) from operating activities	10(a)	(9,114)	(29,777)
Cash flows from investing activities			
Proceeds from sale of business	13	-	(104)
Payments for property, plant and equipment	6(a)	(12,343)	(13,672)
Payments for intangible assets	6(b)	(429)	(711)
Loans to related parties		-	(4,270)
Proceeds from sale of property, plant and equipment		-	1,998
Payments for livestock	6(c)	(880)	(728)
Proceeds from sale of livestock		605	371
Net cash (outflow) from investing activities		(13,047)	(17,116)
Cash flows from financing activities			
Proceeds from borrowings	5(d)	19,847	21,444
Proceeds from government grants		-	1,104
Loans (to)/from related parties		-	(213)
Net cash inflow from financing activities		19,847	22,335
Net (decrease) in cash and cash equivalents		(2,314)	(24,558)
Cash and cash equivalents at the beginning of the financial year		4,463	28,702
Effects of exchange rate changes on cash and cash equivalents		(229)	319
Cash and cash equivalents at end of period	5(a)	1,920	4,463

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

Contents of the notes to the preliminary consolidated financial statements

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1 Segment information

(a) Description of segments

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

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

During the period, the Group announced changes to its operating model, with an increased focus on fewer core businesses comprising Australian Dairy and Australian Meat, to simplify operations and improve visibility of each business's performance. Management reassessed the identified reportable segments reported to the executive management committee and the segment disclosure has been amended, including comparatives to reflect this, to enable readers of the financial statement to better understand the entity's operations.

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

The following summarises the changes made to the reporting of business segments:

- Segments are now aligned with the the core strategic entity operations of the business, being the Dairy and Meat segments.
- A clearer disaggregation of the corporate costs incurred by the consolidated entity has been implemented with the introduction of a Corporate segment, and transparency of the costs allocated out to the operational business units is improved.

Management also reviewed the classification of expenditure during the period to improve the transparency of disclosure of the nature of expenditure, and comparability with similar operations . The comparative period in both the Statement of Comprehensive Income and in Note 1 have been restated to allow inter-period comparability of information, assisting users assess trends in the financial information.

The following table identifies the nature, amount, and reason for each classification:

	Restated disclosure 30 June 2018 $'000	Original disclosure 30 June 2018 $'000	Variance disclosed 30 June 2018 $'000
Cost of sales of goods	(42,548)	(32,657)	(9,891)
Operating overheads	(10,867)	(20,360)	9,493
Selling and distribution	(2,832)	(5,027)	2,195
Corporate overheads and business support	(12,264)	(8,648)	(3,616)
Other	-	(1,819)	1,819
	(68,511)	(68,511)	-

1 Segment information

(b) Segment results

The segment information for the year ended 30 June 2019 and restated segment the year ended 30 June 2018 provided to the executive management committee for the reportable segments are as follows:

2019	Australian Dairy $'000	Australian Meat $'000	Australian Other $'000	International Other $'000	Corporate $'000	Total $'000
Revenue						
Sale of goods	75,444	6,485	245	2,620	-	84,794
Other income	844	-	-	-	38	882
Other revenue	426	-	5	-	-	431
Finance income	18	-	-	-	340	358
Total revenue	76,732	6,485	250	2,620	378	86,465
Expenses						
Cost of sales	(70,269)	(6,081)	(238)	(4,490)	-	(81,078)
Operating costs	(8,291)	(2,237)	(619)	(392)	-	(11,539)
Selling and distribution	(2,126)	(153)	(94)	(25)	-	(2,398)
Business support	(4,276)	(447)	(330)	(489)	(6,424)	(11,966)
Finance costs	(1,143)	(15)	(121)	(122)	(245)	(1,646)
Corporate Allocation	(3,109)	(292)	(30)	(159)	3,590	-
Impairment of assets (note 3(b))	-	-	-	-	(9,615)	(9,615)
Share of profit/(loss) from associates	-	-	-	-	(762)	(762)
Total expenses	(89,214)	(9,225)	(1,432)	(5,677)	(13,456)	(119,004)
Operating loss before tax	(12,482)	(2,740)	(1,182)	(3,057)	(13,078)	(32,539)
Total segment assets; including	93,210	9,431	4,041	5,778	28,102	140,562
Capital expenditure	4,685	2,086	557	-	6,342	13,670
Total segment liabilities	(39,804)	(4,828)	(873)	(2,634)	(12,310)	(60,449)

2018	Australian Dairy $'000	Australian Meat $'000	Australian Other $'000	International Other $'000	Corporate $'000	Total $'000
Revenue						
Sale of goods	41,569	-	406	5,902	-	47,877
Other revenue	382	-	-	-	-	382
Other income	395	-	45	1,456	900	2,796
Finance income	-	-	-	310	700	1,010
Total revenue	42,346	-	451	7,668	1,600	52,065
Expenses						
Cost of sales	(34,206)	-	(611)	(7,731)	-	(42,548)
Operating costs	(6,789)	-	(771)	(3,307)	-	(10,867)
Selling and distribution	(1,902)	-	(220)	(710)	-	(2,832)
Business support	(3,047)	-	(646)	(1,650)	(6,921)	(12,264)
Finance costs	(15)	-	(42)	(3)	-	(60)
Share of profit/(loss) from associates	-	-	-	-	(22)	(22)
Total expenses	(45,959)	-	(2,290)	(13,401)	(6,943)	(68,593)
Operating loss before tax	(3,613)	-	(1,839)	(5,733)	(5,343)	(16,528)
Total segment assets; including	131,624	-	5,582	10,727	10,752	158,685
Capital expenditure	13,540	-	132	-	-	13,672
Total segment liabilities	(31,396)	-	(1,821)	(1,331)	(2,845)	(37,393)

2 Revenue

The Group derives the following types of revenue:

	30 June 2019 $'000	30 June 2018 $'000
Sale of goods	84,794	47,877
Other revenue		
Leasing income	431	382
Total revenue	85,225	48,259

(a) Recognising revenue from major business activities

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

*(i) **Sale of goods***

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

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

*(ii) **Other revenue***

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

(b) Disaggregation of revenue from contracts with customers

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

2019	Australia $'000	Asia $'000	Europe $'000	North America $'000	Total $'000
Sale of goods	78,340	4,738	1,601	115	84,794
	78,340	4,738	1,601	115	84,794

3 Other income and expense items

(a) Other income

	Notes	30 June 2019 $'000	30 June 2018 $'000
Net gain on disposal of business	13	-	1,419
Fair value adjustment to biological assets		477	123
Other items		121	1,071
Government grants		284	183
		882	2,796

(b) Break down of expenses by nature

	30 June 2019 $'000	30 June 2018 $'000
Changes in inventories of finished goods and work	(4,862)	(3,764)
Raw materials and consumables used	75,115	36,290
Employee benefits expense	13,392	11,785
Depreciation and amortisation expense	1,869	2,063
Impairment of financial asset	9,615	-
Management Fee	2,383	2,422
Other expenses	4,157	4,433
Consultancy expenses	1,580	2,572
Leasing expenses	627	1,015
Rates and taxes	3,061	3,334
Repairs and maintenance	2,178	1,390
Insurance expenses	2,318	1,325
Logistics and marketing expenses	5,163	5,646
	116,596	68,511

(c) Finance income and costs

	Notes	30 June 2019 $'000	30 June 2018 $'000
Interest income		358	846
Net exchange gains		-	164
Finance income		358	1,010
Finance charges paid for financial liabilities		(1,612)	(60)
Net exchange losses	11(a)	(34)	-
Finance costs		(1,646)	(60)
Net finance costs		(1,288)	950

4 Income tax benefit

(a) Income tax benefit

	Notes	30 June 2019 $'000	30 June 2018 $'000
Current tax			
Current tax		45	45
Total current tax expense		45	45
Deferred income tax			
(Increase) decrease in deferred tax assets	6(e)	(7,451)	(2,870)
Increase (decrease) in deferred tax liabilities	6(e)	1,209	(610)
Other adjustment		875	-
Total deferred tax expense/(benefit)		(5,367)	(3,480)
Income tax benefit		(5,322)	(3,435)

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

	30 June 2019 $'000	30 June 2018 $'000
Loss from continuing operations before income tax	(32,539)	(16,528)
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	(9,762)	(4,958)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of Capital items	1,114	-
Research and development adjustments (net)	(93)	(176)
Entertainment	13	11
Share of profit/loss from associates	229	7
Tax rate differentials and non-recognition of foreign DTA's	965	2,092
Overseas entity CFC Profits	-	16
Derecognition of DTA	522	-
Impact of disposal of Beston Dalian	-	(426)
Sundry items	(80)	(1)
AASB 9 adjustment	1,770	-
Income tax benefit	(5,322)	(3,435)

(c) Tax losses

	30 June 2019 $'000	30 June 2018 $'000
Unused tax losses for which no deferred tax asset has been recognised	9,732	7,211
Potential tax benefit @ 30.0%	2,920	2,163

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

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

	30 June 2019 $'000	30 June 2018 $'000
Cash at bank and in hand	1,920	4,463

(b) Trade and other receivables

	30 June 2019			30 June 2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	13,603	-	13,603	14,104	-	14,104
Provision for impairment (see note 11(b))	(257)	-	(257)	(24)	-	(24)
	13,346	-	13,346	14,080	-	14,080
Other receivables	-	-	-	6,133	5,849	11,982
Prepayments	1,178	-	1,178	1,100	-	1,100
Goods and services tax (GST) receivable	1,216	-	1,216	2,569	-	2,569
Convertible notes receivable	-	-	-	2,748	-	2,748
	15,740	-	15,740	26,630	5,849	32,479

(i) Trade and other receivables

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

(ii) Fair value of trade and other receivables

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

(iii) Impairment and risk exposure

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

5 Financial assets and financial liabilities

(c) Trade and other payables

	30 June 2019 $'000	30 June 2018 $'000
Current liabilities		
Trade payables	10,844	7,583
Goods and services tax (GST) payable	-	344
Accrued expenses	3,328	3,072
Government grants	432	1,041
Payroll liabilities	426	247
Other creditors	659	1,741
	15,689	14,028

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.

(d) Borrowings

	Interest rate %	Maturity	2019 $'000	2018 $'000
Current interest-bearing loans and borrowings				
Milk supply facility			-	14,935
Financing facility			-	5,300
Hire purchase	3.02%	June 2024	249	252
Insurance Loan	1.93%	October 2019	767	957
Secured lending	BBSY + 2.05%	May 2020	4,500	-
Total current interest-bearing loans and borrowings			5,516	21,444
Non-current interest-bearing loans and borrowings				
Hire purchase	3.02%	June 2024	1,268	-
Secured lending	BBSY + 2.00%	October 2021	14,625	-
Secured lending	BBSY + 2.50%	May 2021	3,834	-
Working capital facility	BBSY + 2.05%	May 2022	16,080	-
Total non-current interest-bearing loans and borrowings			35,807	-
Total interest-bearing loans and borrowings			41,323	21,444

6 Non-financial assets and liabilities

(a) Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
At 1 July 2017						
Cost or fair value	21,679	3,975	19,155	302	201	45,312
Accumulated depreciation	-	(223)	(789)	(48)	(28)	(1,088)
Net book amount	21,679	3,752	18,366	254	173	44,224
Year ended 30 June 2018						
Opening net book amount	21,679	3,752	18,366	254	173	44,224
Additions	-	283	13,245	63	81	13,672
Disposals	-	-	(417)	(40)	-	(457)
Depreciation charge	-	(216)	(788)	(64)	(25)	(1,093)
Closing net book amount	21,679	3,819	30,406	213	229	56,346
At 30 June 2018						
Cost or fair value	21,679	4,257	31,534	321	281	58,072
Accumulated depreciation	-	(438)	(1,128)	(108)	(52)	(1,726)
Net book amount	21,679	3,819	30,406	213	229	56,346
Year ended 30 June 2019						
Opening net book amount	21,679	3,819	30,406	213	229	56,346
Acquisition of subsidiary	6,320	-	918	-	-	7,238
Additions	-	1,366	4,400	38	249	6,053
Disposals	-	(7)	(17)	(6)	-	(30)
Depreciation charge	-	(312)	(1,019)	(60)	(48)	(1,439)
Closing net book amount	27,999	4,866	34,688	185	430	68,168
At 30 June 2019						
Cost	27,999	5,603	36,613	355	530	71,100
Accumulated depreciation	-	(737)	(1,925)	(170)	(100)	(2,932)
Net book amount	27,999	4,866	34,688	185	430	68,168

(i) Depreciation methods and useful lives

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

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

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

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

6 Non-financial assets and liabilities

(b) Intangible assets

	Goodwill $'000	Internally generated software* $'000	Customer contracts $'000	Lobster quotas $'000	Water licences $'000	Total $'000
At 1 July 2017						
Cost	1,847	1,358	1,763	4,949	4,039	13,956
Accumulation amortisation	-	(105)	(283)	-	-	(388)
Net book amount	1,847	1,253	1,480	4,949	4,039	13,568
Year ended 30 June 2018						
Opening net book amount	1,847	1,253	1,480	4,949	4,039	13,568
Additions - acquisition	-	668	43	-	-	711
Amortisation charge	-	(223)	(747)	-	-	(970)
Closing net book amount	1,847	1,698	776	4,949	4,039	13,309
At 30 June 2018						
Cost	1,847	2,026	1,382	4,949	4,039	14,243
Accumulation amortisation	-	(328)	(606)	-	-	(934)
Net book amount	1,847	1,698	776	4,949	4,039	13,309
Year ended 30 June 2019						
Opening net book amount	1,847	1,698	776	4,949	4,039	13,309
Additions - acquisition	6,312	116	129	-	-	6,557
Amortisation charge	-	(231)	(198)	-	-	(429)
Closing net book amount	8,159	1,583	707	4,949	4,039	19,437
At 30 June 2019						
Cost	8,159	2,142	1,496	4,949	4,039	20,785
Accumulated amortisation	-	(559)	(789)	-	-	(1,348)
Net book amount	8,159	1,583	707	4,949	4,039	19,437

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

(i) Amortisation methods and useful lives

For the year ended 30 June 2019, there was amortisation was recognised for the first time in relation to software, as specific assets were deemed in use by the Group. The Group amortises IT development and software from the date of first use, using the straight line method over 3-5 years.

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

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

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

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

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

6 Non-financial assets and liabilities

(c) Biological assets

	30 June 2019 $'000	30 June 2018 $'000
Livestock	5,303	4,880

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

As at 30 June 2019, the Group held a total of 3,687 cattle (2018 - 3,343).

	30 June 2019 $'000	30 June 2018 $'000
Movements:		
Opening balance	4,880	4,400
Increases due to purchases	880	728
Decreases due to livestock sold	(933)	(371)
Change in fair value	477	123
Closing balance	5,304	4,880

(i) *Accounting for biological assets*

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

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

(ii) *Measuring biological assets at fair value*

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

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

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

(d) Inventories

	30 June 2019 $'000	30 June 2018 $'000
Current assets		
Raw materials and stores	3,619	1,179
Finished goods – at cost	10,573	21,425
	14,192	22,604

(i) *Assigning costs to inventories*

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

(ii) *Amounts recognised in profit or loss*

Inventories recognised as expense during the year ended 30 June 2019 amounted to $81,078,253 (2018 - $32,656,836).

There were write-downs of inventories during the year of $1,988,773 (2018 - $92,391).

6 Non-financial assets and liabilities

(e) Deferred tax balances

(i) ***Deferred tax assets***

	30 June 2019 $'000	30 June 2018 $'000
The balance comprises temporary differences attributable to:		
Tax losses and offsets	13,933	6,863
Employee benefits	1,070	90
Accruals	144	106
Tax only assets	450	983
Other	205	309
Total deferred tax assets	15,802	8,351

Significant estimates

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

(ii) ***Deferred tax liabilities***

	30 June 2019 $'000	30 June 2018 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	1,297	340
Intangible assets	1,237	1,236
Other	251	-
	2,785	1,576

(iii) ***Tax consolidation***

Members of the tax consolidated group and tax sharing agreement

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

Tax effect accounting by members of the tax consolidated group

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

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

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

6 Non-financial assets and liabilities

(e) Deferred tax balances (continued)

*(iii) **Tax consolidation***

Tax effect accounting by members of the tax consolidated group

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

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

(f) Employee benefit obligations

		30 June 2019			30 June 2018	
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations (i)	428	179	607	230	70	300

*(i) **Leave obligations***

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

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $428,074 (2018 - $230,227) 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 2019 $'000	30 June 2018 $'000
Current leave obligations expected to be settled after 12 months	140	69

7 Assets held for sale

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

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

The sale process run by Ferguson Fisheries has not been successful. In order to remain classified as held for sale, the sale of the disposal group needs to be highly probable. The lack of success to date indicates that the sale of the assets as a disposal group does not meet this test. Accordingly, as at 30 June 2019, the assets comprising the Ferguson Disposal Group are no longer classified as held for sale. Although the Group still intends to dispose of these assets it may be that they are disposed of individually rather than collectively.

On reclassifying the assets from held for sale, the assets need to be returned to their appropriate classification on the balance sheet at the carrying values at which they would have been held had they not been classified as held for sale. The comparative balance sheet has also been restated to reflect the appropriate classifications at 30 June 2018 had the assets not been classified as held for sale at that date.

The investment in Ferguson Australia Pty Ltd was initially reclassified as an equity accounted investment. Refer note 14 (c) for further information regarding the consequent accounting impacts.

The intangible assets were reclassified to intangible assets and continued to be carried at cost. The property, plant and equipment were reclassified in the balance sheet after making an adjustment to depreciation of $13,000.

8 Impairment

(a) Management analysis

The Group performed its annual impairment test in June 2018 and 2019. The Group considered the relationship between its market capitalisation and book value, among other factors, when reviewing for indicators of impairment. At 30 June 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of long-life intangible assets.

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

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

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

Rates are based on published industry research. Management have intentionally used conservative growth rate estimates when extrapolating cash flows beyond the forecast period. Growth rate estimates of 2.5% were used across all CGUs.

(i) Australian Dairy CGU

The recoverable amount of the Dairy CGU, $150.9 million as at 30 June 2019, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts, approved by senior management, and covering a five year period. The carrying value of goodwill allocated to the Dairy CGU is $1,847,067, and the carrying value of indefinite life intangible assets allocated to the Dairy CGU is $4,055,288.

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

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

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

(ii) Australian Meat CGU

The recoverable amount of the Australian Meat CGU, $13.8 million as at 30 June 2019, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts, approved by senior management, and covering a five year period. The carrying value of goodwill allocated to the Australian Meat CGU is $6,313,242, and the carrying value of indefinite life intangible assets allocated to the Australian Meat CGU is $nil.

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

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

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

(b) Key assumptions - Dairy

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

- Discount rates;
- The price of milk paid to farmers and other suppliers;
- The quantity of milk obtained from farmers and other suppliers; and
- The yields achieved through the production process.

8 Impairment

(b) Key assumptions Dairy

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

(i) ***Discount rates***

The pre-tax discount rate applied to the cash flow projections is 12.3% and the cash flows beyond the five-year period are extrapolated using a 2.5% growth rate that is the same as the long-term average growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

An increase of the pre-tax discount rate to 13.8% (i.e. +1.5%) in the Dairy CGU would result is a decrease in the recoverable amount of $22.1 million. This decrease would not result in impairment.

(ii) ***Milk supply prices***

An increase of the milk supply prices by 10.0% in the Dairy CGU would result is a decrease in the recoverable amount of $5.3 million. This decrease would not result in impairment.

(iii) ***Milk supply volume***

A decrease of the milk supply volumes by 10.0% in the Dairy CGU would result is a decrease in the recoverable amount of $64.3 million. This decrease would not result in impairment.

(iv) ***Production yields***

A decrease of the production yields by 2.5% in the Dairy CGU would result is a decrease in the recoverable amount of $3.4 million. This decrease would not result in impairment.

(c) Key assumptions - Australian Meat

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

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

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

(i) ***Discount rates***

The pre-tax discount rate applied to the cash flow projections is 12.3% and the cash flows beyond the five-year period are extrapolated using a 2.5% growth rate that is the same as the long-term average growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

An increase of the pre-tax discount rate to 13.8% (i.e. +1.5%) in the Australian Meat CGU would result is a decrease in the recoverable amount of $1.5 million. This decrease would not result in impairment.

(ii) ***Gross margin***

A decrease of the gross margin by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $3.5 million. This decrease would not result in an impairment.

(iii) ***Real sales growth***

An decrease in the real growth rate achieved by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $2.1 million. This decrease would not result in impairment.

9 Equity

(a) Contributed equity

	30 June 2019 Shares	30 June 2018 Shares	30 June 2019 $'000	30 June 2018 $'000
Ordinary shares - fully paid	443,315,867	443,315,867	147,535	147,535

(i) Movements in ordinary share capital

	Number of shares	$'000
Opening balance 1 July 2017	443,315,867	147,535
Balance 30 June 2018	**443,315,867**	**147,535**
Opening balance 1 July 2018	443,315,867	147,535
Balance 30 June 2019	**443,315,867**	**147,535**

(ii) Ordinary shares

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

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

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

(b) Other reserves

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

	30 June 2019 $'000	30 June 2018 $'000
Financial assets and liabilities at FVOCI	(8,693)	-
Share-based payments	-	9
Foreign currency translation	(442)	(246)
	(9,135)	(237)

	Notes	30 June 2019 $'000	30 June 2018 $'000
Movements:			
Financial assets and liabilities at FVOCI			
Revaluation - gross		(8,693)	-
Share-based payments			
Opening balance		9	9
Option expense		(9)	-
Balance 30 June		-	9
Foreign currency translation			
Opening balance		(246)	(491)
Currency translation differences arising during the year		(196)	245
Balance 30 June		(442)	(246)

9 Equity

(b) Other reserves (continued)

(i) Nature and purpose of other reserves

Share-based payments

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

Foreign currency translation

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

(c) Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2019 $'000	30 June 2018 $'000
Opening balance	(26,192)	(13,598)
Adjustment on adoption of AASB 9	(4,966)	-
Restated opening balance at the beginning of the financial year	(31,158)	(13,598)
Net loss for the period attributable to equity holders of the parent	(26,975)	(12,594)
Balance 30 June	(58,133)	(26,192)

10 Cash flow information

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

	Notes	30 June 2019 $'000	30 June 2018 $'000
Loss for the year		(27,315)	(13,093)
Adjustment for			
Depreciation and amortisation	3(b)	1,869	2,096
Impairment of financial asset		9,615	-
Bad debts written off		233	860
Net loss on disposal of fixed assets		-	(1,418)
Fair value adjustment to biological assets		(477)	(123)
Share of loss from associates		762	22
Foreign exchange loss		34	(164)
Inventory write-off		1,989	1,468
Gain on disposal of livestock		328	33
Grant income received		(284)	(183)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		2,351	(17,044)
Decrease/(increase) in inventories		7,238	(16,099)
Increase in deferred tax assets		(6,530)	(2,870)
Increase/(decrease) in trade and other payables		(370)	17,164
Increase in provision for income taxes payable		-	45
Increase/(decrease) in deferred tax liabilities		1,210	(610)
Increase in other provisions		233	139
Net cash inflow (outflow) from operating activities		(9,114)	(29,777)

11 **Financial risk management**

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

(a) **Market risk**

(i) ***Foreign exchange risk***

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

Exposure

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

	30 June 2019		30 June 2018	
	CNY	THB	CNY	THB
	$'000	$'000	$'000	$'000
Trade receivables	207	827	506	332
Trade payables	(11)	(11)	(266)	(41)

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 2019 $'000	30 June 2018 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	34	164
Total net foreign exchange gains/(losses) recognised in profit before income tax for the period	34	164

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	
	2019	2018
Index	$'000	$'000
THB/AUD exchange rate - increase 10%	(42)	(24)
THB/AUD exchange rate - decrease 10%	52	30
CNY/AUD exchange rate - increase 10%	(42)	(22)
CNY/AUD exchange rate - decrease 10%	(8)	27

(ii) ***Interest rate risk***

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

11 Financial risk management

(a) Market risk (continued)

*(ii) **Interest rate risk (continued)***

	30 June 2019 $'000	30 June 2018 $'000
Cash and cash equivalents	1,920	4,463
Borrowings	(41,323)	(21,443)
	(39,403)	(16,980)

Sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2019, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been impacted as follows:

	Impact on post-tax profit and equity 2019 $'000	2018 $'000
Interest rates - increase by 100 basis points	(282)	56
Interest rates - decrease by 100 basis points	1,589	(104)

*(iii) **Price risk***

Exposure

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

(b) Credit risk

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

*(i) **Risk management***

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

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

11 Financial risk management

(b) Credit risk (continued)

(ii) Trade receivables

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

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

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

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

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

	30 June 2019 $'000	30 June 2018 $'000
At 1 July	23	42
Provision for impairment recognised during the year	-	842
Receivables written off during the year as uncollectible	234	(860)
At 30 June	257	24

(iii) Past due but not impaired

As at 30 June 2019, trade receivables of $5,081,949 (2018 - $3,114,984) 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 2019 $'000	30 June 2018 $'000
Up to 3 months	4,364	2,707
3 to 6 months	339	243
6 to 9 months	379	165
	5,082	3,115

11 Financial risk management

(c) Liquidity risk

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

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

(i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities At 30 June 2019	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives						
Trade and other payables	15,114	181	551	-	-	15,846
Borrowings (excluding finance leases)	-	-	5,267	34,539	-	39,806
Finance lease liabilities	-	34	102	1,268	-	1,404
Total non-derivatives	15,114	215	5,920	35,807	-	57,056

12 Capital management

(a) Risk management

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

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

(b) Dividends

There were no dividends provided for during the year ended 30 June 2019 (2018: $nil).

13 Business combination and disposals

(a) Summary of acquisition

On 23 August 2018, the Company acquired 100% of the ordinary shares of Scorpio Foods Pty Ltd ("Scorpio"). The acquisition has been accounted for using the acquisition method. The financial statements include the results for Scorpio for the year from the acquisition date.

Scorpio Foods is a HACCP and AQIS accredited processor and exporter of quality meat products supplying the food service industry.

The acquisition was completed to consolidate the Group's investment in the business.

(b) Purchase consideration

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	30 June 2019 $'000
Cash paid ($2)	-
Deferred consideration	195
Total consideration to be paid	(195)
Add: Settlement of pre-existing relationships	
Elimination of loan receivable	5,927
Total consideration in relation to business acquisition	(6,122)

13 **Business combination and disposals**

	30 June 2019 $'000
Assets	
Trade and other receivables	744
Inventory	815
Property, plant & equipment	918
Deferred tax asset	28
	2,505
Liabilities	
Trade creditors and accruals	(2,360)
Employee provisions	(74)
Overdraft facility	(33)
Interest bearing liabilities (related party)	(228)
	(2,695)
Goodwill	
Goodwill	6,312
	(6,312)
Net assets acquired	6,122

The goodwill is attributable to the expected synergies and other benefits from combining the operations of Scorpio with those of the Group. It will not be deductible for tax purposes.

(iii) ***Revenue and profit contribution***

The acquired business contributed revenues of $6.5m and a net loss of $2.5m to the Group for the period from 23 August 2016 to 30 June 2019.

(iv) ***Acquisition-related costs***

Acquisition related costs of $30,000 are included in administration expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidate statement of cash flows.

14 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2019 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
		2019 %	2018 %	2019 %	2018 %	
Beston Global Food Company Limited	Australia	100.0	100.0	-	-	Food services
Beston Farms Pty Ltd	Australia	100.0	100.0	-	-	Dairy farming
Beston Dairies Pty Ltd	Australia	100.0	100.0	-	-	Dairy production
Beston Pure Foods (Australia) Pty Ltd	Australia	100.0	100.0	-	-	Sales and distribution
Beston Global Food (Thailand) Company Limited	Thailand	98.0	98.0	2.0	2.0	Sales and distribution
Beston Global Food Company (Hong Kong) Limited	Hong Kong	100.0	100.0	-	-	Sales and distribution
Beston Food (Shanghai) Co. Limited	China	100.0	100.0	-	-	Sales and distribution
Beston Technologies Pty Ltd	Australia	100.0	100.0	-	-	Technology developer
AQUAessence Pty Ltd	Australia	51.0	51.0	49.0	49.0	Water products
Scorpio Foods Pty Ltd	Australia	100.0	-	-	-	Protein processing

14 Interests in other entities

(b) Non-controlling interests (NCI)

	30 June 2019 $'000	30 June 2018 $'000
Interest in:		
Share capital	(154)	186

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

	AQUAessence Pty Ltd	
Summarised balance sheet	30 June 2019 $'000	30 June 2018 $'000
Current assets	148	171
Current liabilities	730	1,037
Current net assets	(582)	(866)
Non-current assets	2,351	1,236
Non-current net assets	2,351	1,236
Net assets	1,769	370
Accumulated NCI	(186)	181

	AQUAessence Pty Ltd	
Summarised statement of comprehensive income	30 June 2019 $'000	30 June 2018 $'000
Revenue	188	308
Profit/(loss) for the period	(694)	(1,020)
Total comprehensive income	(694)	(1,020)
Profit/(loss) allocated to NCI	(340)	(500)

	AQUAessence Pty Ltd	
Summarised cash flows	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities	346	331
Cash flows from investing activities	(297)	(308)
Cash flows from financing activities	(123)	(62)
Net increases/(decrease) in cash and cash equivalents	(74)	(39)

14 Interests in other entities

(c) Investments

Name of entity	Country of incorporation and operation	% of ownership interest		Measurement method	Carrying amount	
		2019	2018		2019	2018
		%	%		$'000	$'000
Ferguson Australia Pty Ltd[1]	Australia	32	32	FVOCI	-	4,695
Neptune Bio-Innovations Pty Ltd[2]	Australia	10	10	FVOCI	-	11,558
Total investments					-	16,253

(1) Ferguson Australia Pty Ltd is a processor and exporter of premium seafood products in which the Group holds a 32% interest. Ferguson Fisheries holds the remaining 68% interest.

In January 2018, the Ferguson Fisheries group (inclusive of Ferguson Australia Pty Ltd) decided to sell their interests in Ferguson Fisheries and the Group decided to sell its interest in Ferguson Australia Pty Ltd as part of that process. Ferguson Fisheries subsequently entered a formal sale process.

The Group classified its interest in Ferguson Australia Pty Ltd as held for sale at that time and ceased to equity account for its investment. Refer note 7.

The Group has determined that it ceased to have significant influence over the financial and operational decision making of Ferguson Australia Pty Ltd from January 2019. The lack of significant influence culminated in Beston's representative director subsequently resigning from the board of Ferguson Australia Pty Ltd. As a consequence of the assessments outlined above, the Group has for the year ended 30 June 2019:

- Recorded in the profit and loss statement equity accounted losses from Ferguson Australia Pty related to the prior year for the six-month period ending 30 June 2018 and for the six-month period to 31 December 2018 totalling $762,000.
- Recorded in the profit and loss statement an impairment of the equity accounted investment of $893,000 assessed as at 1 January 2019.
- Ceased equity accounting for the investment as at 1 January 2019 and designated the investments as held at fair value through other comprehensive income.
- Recorded a fair value decrement of $3,035,000 as at 30 June 2019, which is reported in Other Comprehensive Income.

(2) The Group received updated financial forecast from Neptune Bio-Innovations Pty Ltd (NBI) at 31 December 2018. Analysis of this information has led the Group to assess the fair value of the convertible notes and equity investments as nil, resulting in an impairment of $11.56 million.

An amount of $5.90 million has been recognised in relation to the convertible note through the profit and loss, and an amount of $5.66 million has been recognised in relation to the equity instrument through other comprehensive income.

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

15 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2019 (2018 - nil).

16 Commitments

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

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

16 Commitments

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

	30 June 2019 $'000	30 June 2018 $'000
Within one year	297	284
Later than one year but not later than five years	10	10
	307	294

(b) Finance lease commitments: Group as lessee

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

	30 June 2019 $'000	30 June 2018 $'000
Within one year	467	87
Later than one year but not later than five years	1,186	180
	1,653	267

(c) Other commitments

At 30 June 2018, the Group had commitments of $90,628,790 relating to milk supply purchases from farmers. These milk purchase commitments have terms of between 1 and 3 years.

At 30 June 2018, the Group had nil commitments relating to equipment capital expenditure.

17 Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

18 Related party transactions

(a) Subsidiaries

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

(b) Key management personnel compensation

	30 June 2019 $	30 June 2018 $
Short-term employee benefits	260,000	260,000
Post-employment benefits	24,700	24,700
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	284,700	284,700

(c) Transactions with other related parties

The following transactions occurred with related parties:

18 Related party transactions

(c) Transactions with other related parties (continued)

	30 June 2019 $	30 June 2018 $
Sales of goods and services		
Sales of goods to investee entities	721,594	405,890
Remuneration received for directors services	32,500	90,000
Interest income from investee entities	338,861	633,081
Purchases of goods and services		
Purchases of various goods and services from related parties	(13,863)	(831,175)
Management fees to the Investment Manager	(2,382,705)	(2,387,799)

(i) Transactions with other related parties

The Group entered into the following transactions with related parties:

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

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

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

	30 June 2019 $	30 June 2018 $
Outstanding balances receivable/(payable)		
Current receivables	429,849	6,198,017
Current payables	(303,285)	(310,318)

(e) Loans to/from related parties

	30 June 2019 $	30 June 2018 $
Loans to other related parties		
Beginning of the year	32,503	32,503
End of year	32,503	32,503

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

(f) Terms and conditions

(i) Transactions with the Investment Manager

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

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

The key metrics of the fee are summarised below:

18 Related party transactions

(f) Terms and conditions (continued)

(i) Transactions with the Investment Manager

Key metrics	1 July 2018	30 June 2019	Performance
Beston Global Food Company Limited	$0.18	$0.12	-31.34%
ASX All Ordinaries Accumulation Index	$62,434.90	$69,326.90	11.04%

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

The performance fee is calculated as follows:

A. Market capitalisation	$53,197,904.04
B. Outperformance factor (BFC TSR% - ASX:XAOAI TSR%)	-42.38%
C. Agreed performance fee %	17.5%
Total performance fee for the 12 months to 30 June 2018: A x B x C	$0.00

(ii) Transactions with other related parties

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

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

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

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

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

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

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

No guarantees were provided for any related parties.

19 **Remuneration of auditors**

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

Ernst & Young

	2019	2018
Total audit services	$	$
Audit services		
Audit and review of financial statements	287,000	229,000
	287,000	229,000
Total non-audit services		
Advisory services		
Capital and debt advisory services	110,000	-
Taxation services		
Tax compliance services	41,156	84,442
Tax due diligence services	54,068	-
	205,224	84,442
Total remuneration of Ernst & Young	492,224	313,442

20 Earnings per share

(a) Basic earnings/(loss) per share

	30 June 2019 Cents	30 June 2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(6.08)	(2.84)
From discontinued operations	-	-
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(6.08)	(2.84)

(b) Diluted earnings/(loss) per share

	30 June 2019 Cents	30 June 2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(6.08)	(2.84)
From discontinued operations	-	-
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(6.08)	(2.84)

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

	30 June 2019 $'000	30 June 2018 $'000
Basic earnings/(loss) per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share:		
From continuing operations	(26,975)	(12,593)
From discontinued operations	-	-
	(26,975)	(12,593)
Diluted earnings/(loss) per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating basic earnings/(loss) per share	(26,975)	(12,593)
Used in calculating diluted earnings/(loss) per share	(26,975)	(12,593)

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

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	443,315,867	443,315,867

21 Parent entity financial information

(a) Summary financial information

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

	30 June 2019 $'000	30 June 2018 $'000
ASSETS		
Current assets	17,155	9,571
Non-current assets	115,370	131,441
Total assets	132,525	141,012
LIABILITIES		
Current liabilities	4,124	957
Non-current liabilities	10,308	3,215
Total liabilities	14,432	4,172
Net assets	118,093	136,840
EQUITY		
Issued capital	147,535	147,535
Reserves		
Revaluation surplus - property, plant and equipment	(8,693)	-
Share-based payments	-	8
Accumulated losses	(8,460)	(10,479)
Foreign currency translation reserve	-	(224)
Total equity	130,382	136,840
Profit/(loss) for the period	(12,275)	(3,654)
Total comprehensive income/(loss)	(20,612)	(3,654)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

22 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Beston Global Food Company Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied, for the first time, certain standards and amendments which are effective for the first time in their annual reporting period commencing 1 July 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

AASB 9 *Financial Instruments*

The Group applied AASB 9 *Financial Instruments* prospectively, from 1 July 2018. AASB 9 *Financial Instruments* replaces AABS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption have been recognised directly in retained earnings on 1 July 2018 and other components of equity as described below.

On adoption, the standard has affected in particular the Group's accounting for its available-for-sale financial assets, which under AASB 9 have been designated as fair value through other comprehensive income (FVOCI) as discussed below. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There is no material impact on the statement of comprehensive income or the statement of cash flows and basic and undiluted EPS.

Classification and measurement

Except for certain trade receivables, under AASB 9, 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. Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Receivables included under non-current financial assets.
- Debt instruments at fair value through profit and loss (FVTPL) for instruments that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that do not meet the SPPI criterion. This category includes the convertible notes included in Receivables included under non-current financial assets.

Other financial assets are classified and subsequently measured, as follows:

22 Summary of significant accounting policies

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under AASB 9. Under AASB 139, the Group's unquoted equity instruments were classified as available-for-sale (AFS) financial assets.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139.

Impairment

AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group applied AASB 9 prospectively, with an initial application date of July 1, 2018. The Group has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption have been recognised directly in retained earnings and other components of equity. The statement of profit or loss for the six months ended 31 December 2017 was not required to be restated. The impact on the statement of financial position as at 1 July 2018 is as follows:

	30 June 2019 $'000
Assets	
Trade and other receivables	(5,855)
Deferred tax asset	889
	(4,966)
Equity	
Retained earnings	(4,966)
	(4,966)

Each of the transition adjustments noted above relate to financial assets held at amortised cost under both AASB 139 and AASB 9. Convertible notes were accounted for at amortised cost with an embedded derivative at FVTPL under AASB 139. On transition to AASB 9 they will be FVTPL in their entirety. No adjustments to carrying value were required on transition.

22 Summary of significant accounting policies

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

AASB 15 *Revenue*

The Group applied AASB 15 *Revenue from Contracts with Customers* for the first time from 1 July 2018 in accordance with the modified retrospective transitional approach. Under this approach, the cumulative effect of initially applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings and comparative information is not restated.

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group assessed the impact of the new standard by analysing its customer contracts in each of the Group's revenue streams described in Note 3, having regard to the requirements of AASB 15 comparing the Group's accounting policies and practices for accounting for the rights and obligations identified in those contracts and identify potential differences. Based on this analysis, there is no material impact on the recognition and measurement of revenue and contract costs on the adoption of AASB 15 at 1 July 2018.

AASB 15 does however require the Group to include in the financial statements certain additional information in respect of the Group's revenue streams as described below.

Sale of goods

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

Variable consideration

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (ie only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring products to a customer before payment is due, a contract asset is recognised for the right to the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer products to customers for which the Group has received consideration from the customer in advance. If a customer pays consideration before the Group transfers products to the customer, a contract liability is recognised when the payment is made or the payment is due. Contract liabilities are recognised as revenue when the Group provides the product under the contract.

(iv) Critical accounting estimates

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

Revaluation of biological assets

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

22 Summary of significant accounting policies

(a) Basis of preparation (continued)

*(iv) **Critical accounting estimates***

Impairment of non-financial assets

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

Deferred tax balances

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

Fair value assessments

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 *Leases*

AASB 16 replaces AASB 117 *Leases*, AASB Interpretation 4 'Determining whether an Arrangement contains a Lease', AASB Interpretation 115 'Operating Leases-Incentives' and AASB Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. AASB 16 requires lessees to make more extensive disclosures than under AASB 117.

The most significant impact identified based on an initial assessment is that the Group will recognise new right of use assets and financial liabilities for its operating lease commitments for office buildings and plant and equipment. The current accounting treatment of recognising operating lease expenses in 'Other expenses' in the Statement of Profit or Loss and Other Comprehensive Income will also change on adoption of AASB 16, with amortisation of the lease expenditure recognised in both Depreciation and amortisation expense and Interest expense.

22 Summary of significant accounting policies

(a) Basis of preparation (continued)

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

As lessee, the Group can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients.The Group plans to apply AASB 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as a lease applying AASB 117 and AASB Interpretation 4. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value (ie less than $10,000).

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. The impact of AASB 16 has not yet been quantified. The actual impact of applying AASB 16 on the financial statements from 1 July 2019 is still being determined and is dependent on the Group's borrowing rate, the composition of the Group's lease portfolio, the Group's assessment of whether it will exercise any renewal options and the extent to which the Group chooses to use practical expedients and recognition exemption. Under the modified retrospective approach, the cumulative impact of application will be recognised as at 1 July 2019.

IFRIC 23 Uncertain Tax Position

The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The impact of IFRIC 23 has not yet been quantified.

Standards not yet effective

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

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

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

(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 2019 and the results of all subsidiaries for the year then ended. Beston Global Food Company Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

(i) Subsidiaries

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

22 Summary of significant accounting policies

(b) Principles of consolidation (continued)

(ii) Associates

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

(iii) Equity method

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

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

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

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

(c) Segment reporting

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

22 Summary of significant accounting policies

(d) Foreign currency translation (continued)

*(iii) **Group companies***

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

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

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

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

(e) Revenue recognition

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

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

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

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

(f) Government grants

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

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

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

(g) Income tax

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

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

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

22 Summary of significant accounting policies

(g) Income tax (continued)

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

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

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

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

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

(h) Leases

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

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

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

(i) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

22 Summary of significant accounting policies

(i) Business combinations (continued)

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 assets

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

(k) Cash and cash equivalents

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

(l) Trade receivables

Trade receivables are recognised initially at the transaction price as determined under AASB 15, less provision for impairment. See note 5(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(m) Inventories

Raw materials and stores, work in progress and finished goods

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

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

(n) Investments and other financial assets

(i) Classification and measurement

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

22 Summary of significant accounting policies

(n) Investments and other financial assets (continued)

(i) Classification and measurement (continued)

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: Presentation 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.

(n) Investments and other financial assets (continued)

(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 7.

Assets classified as available-for-sale

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

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

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

(o) 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:

22 Summary of significant accounting policies

(o) Financial liabilities (continued)

(ii) ***Subsequent measurement***

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) Property, plant and equipment

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 22(j)).

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

(q) 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.

(q) Intangible assets (continued)

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

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

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

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

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

(iv) Amortisation methods and periods

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

(r) 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.

(s) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Share-based payments

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

22 Summary of significant accounting policies

(s) Employee benefits (continued)

(iii) Share-based payments

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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) Parent entity financial information

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

22 Summary of significant accounting policies

(y) Parent entity financial information (continued)

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

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

(ii) Tax consolidation legislation

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

Refer to note 4 for further details.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 37 to 88 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) complying with International Financial Reporting Standards , as disclosed in note 22(a)(i), and

  (iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

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

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

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

R N Sexton
Director

Adelaide

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

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Beston Global Food Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for qualified opinion

As at 30 June 2018 the carrying value of the Group's investments in Neptune Bio-Innovations Pty Ltd ('NBI') was $11.6 million as disclosed note 14(c). The investments comprised a convertible note and put option issued on 3 April 2018 and a 9.9% equity investment which were recorded at 30 June 2018 at $5.9 million and $5.7 million respectively. As at 30 June 2019 the carrying value of the convertible note, put option and equity investment are nil, as disclosed note 14(c).

As at 30 June 2018 we were unable to obtain sufficient appropriate evidence to assess the fair value of the convertible note and we were unable to assess the recoverable amount of the Group's equity investment. Our opinion on the financial report for the year ended 30 June 2018 was modified accordingly. Consequently, we were unable to determine whether adjustments might have been necessary in respect of the consolidated statement of comprehensive income for the year ended 30 June 2019 as it reflects the movement in the carrying value of Group's convertible note and equity investment from 1 July 2018. We were also unable to determine whether adjustments might have been necessary in respect of the initial adoption of AASB 9 '*Financial Instruments*' by the Group on 1 July 2018.

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

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

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working world

Key audit matters

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

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

Deferred tax asset relating to losses

Why significant	How our audit addressed the key audit matter
The Group's deferred tax balances are subject to complexity and estimation risk around the utilisation of tax losses. The Group's deferred tax asset of $15.8 million as at 30 June 2019 includes $13.9 million relating to carry forward tax losses and offsets, the recoverability of which is subject to the generation of future taxable profits. The recoverability of the deferred tax assets was a key audit matter due to the significance of the balances and the judgements involved in determining forecast profitability. The Group's disclosures are included in Note 6(e) of the financial report.	Our audit procedures included assessing the Group's forecasts of future taxable income by comparing these cash flows for consistency with the cash flows utilised in the Group's impairment testing and testing the mathematical accuracy of the Group's calculations to derive current and deferred taxes. We also assessed the adequacy of the Group's disclosures with regards to the closing tax balances recorded at year end.

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 $68.2 million and goodwill and other intangible assets of $19.4 million as disclosed in Note 6 represent 62% of the total assets of the Group. As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that PPE may be impaired. In addition, goodwill and indefinite life intangibles are tested for impairment at least annually. The impairment of non-current assets, including goodwill and other intangibles was a key audit matter due to the significance of these balances and the complex judgements in the impairment assessment process such as forecast revenue growth, product sales prices, margins and milk supply volume and prices that are affected by future market or economic conditions. The Directors obtained an independent valuation of the Group's cash generating units ("CGUs") subject to impairment testing, based on their fair value less costs to sell as disclosed in Note 8. The Group's disclosures are included in Note 8, which specifically explain the key operating assumptions used and sensitivity of changes in the key assumptions which could give rise to an impairment loss in the future.	Our audit procedures included assessing the appropriateness of the CGUs where impairment testing was performed, taking into consideration the levels at which management monitors business performance and the interdependency of cash flows. In respect of the Group's CGUs, where indicators of impairment were present or in CGUs that contained significant goodwill balances as at 30 June 2019, we performed the following procedures: ► In respect of the independent valuation we: - Evaluated the competence, capabilities and objectivity of the external valuation expert. - Assessed the valuation methodology used against generally accepted valuation practices. - Assessed the discount rates applied by the expert through comparing the cost of capital for the Group with comparable businesses. - Assessed the results of the expert's comparative industry valuation multiples analysis and analysis of other market evidence used as valuation cross-checks. ► In respect of the cash flow forecasts provided to the independent valuer by the Group we: - Assessed key assumptions such as forecast revenue growth, product sales prices, margins and milk supply volume and prices in comparison to external independent data, where relevant. - Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy. - Compared future cash flows to board approved budgets. - Assessed the adequacy of capital expenditure forecasts. - Tested the mathematical accuracy of the discounted cash flow model. We performed sensitivity analysis in respect of the assumptions noted above, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for there to be an impairment. We assessed the likelihood of these changes in assumptions arising. We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 8.

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Accounting for Ferguson disposal group previously held for sale

Why significant

As disclosed in Note 7 to the financial report, during the year the Group's 32% equity interest in Ferguson Australia Pty Ltd ("Ferguson") and certain plant and equipment and intangibles classified as held for sale as at 30 June 2018 were reclassified from held for sale to their respective asset categories in the consolidated balance sheet as the planned disposal transaction was no longer expected to occur.

Significant judgement was required in assessing when the Ferguson Disposal Group no longer met the 'held for sale' criteria under Australian accounting standard, AASB 5 *Non-current assets held for sale and discontinued operations* ("AASB 5"). The accounting treatment for derecognition as held for sale is complex. requiring the assets to be reclassified in the statement of financial position at the lower of, their carrying amount before being classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their respective recoverable amounts at this date.

In addition, as disclosed in Note 14(c), the Group lost significant influence over Ferguson during the year and thereafter designated the equity investment as held at fair value through other comprehensive income.

Significant judgement was required in determining the date at which significant influence was lost and the fair value of the investment at this date.

Due complexity in the judgements relating from the loss of significant influence and change in intention relating to the sale the Accounting for the Ferguson disposal group was considered a key audit matter.

The Group's disclosures are included in Note 7 and Note 14(c) of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the Group's determination of the date from which the Ferguson Disposal Group was no longer held for sale with reference to the status of the formal sale process undertaken by Ferguson's majority shareholders.
- We assessed the Group's accounting treatment in respect of the equity investment in Ferguson, including the determination of loss of significant influence.
- We assessed the Group's determination of recoverable amount and fair value, as applicable to the respective assets at the relevant dates by:
  - Assessing the Group's key cash flow forecast assumptions in respect of revenue growth, gross margins, operating costs and the discount rate applied.
  - Evaluating the competence, capabilities and objectivity of the external valuation expert used by the Group in their assessment the recoverable amount of the lobster quota intangible assets.,
- We assessed the adequacy of the disclosures in Note 7 and Note 14(c) of the financial report.

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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 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 33 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Beston Global Food Company Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

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Responsibilities

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

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
Melbourne
30 August 2019