BESTON
GLOBAL FOOD COMPANY

# Annual Report 2022

bestonglobalfoods.com.au




# Contents

# Our year – FY22 summary

## Achievement of our strategic imperatives is transforming the Company

### Management changes
3 new career dairy executives bringing significant experience, plus two internal promotions. Over 80% refresh of the senior executive team.

### Sustainability focus
Initiated a full carbon audit and other key initiatives on our quest to become one of Australia's most sustainable dairy companies.

### Increased milk supply
Increased milk supply contracted, offering record prices in an increasingly competitive environment, representing the 8th consecutive year of growth.

### Record production
24/7 operations and resolution of operational issues led to record levels of production of mozzarella, whey powder and lactoferrin.

### Record sales
24% revenue growth due to price increases and improved product mix implemented in Q4 FY22 and carried into FY23. 50% of FY22 GM achieved in Q4.

### Lactoferrin
Sold 5MT in Q4 to key customers in Australia, Asia, and Europe, including into high-grade infant formula. Planned capital expenditure to expand production capability.

### Expanding markets
Product sales launched in Japan and South Korea, in addition to products continuing to be sold in more than a dozen existing markets.

### Capital management
Capital raising undertaken to reduce gearing, expand nutraceutical capacity and invest in high ROI projects.

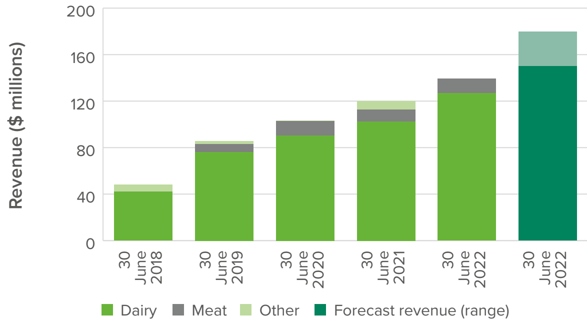
## BESTON GLOBAL FOODS COMPANY LIMITED

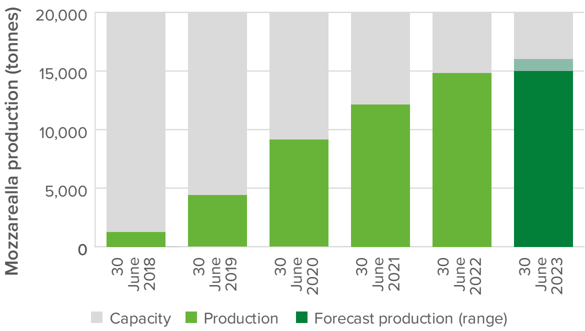
Listed in 2015 and headquartered in Adelaide, South Australia, Beston (ASX:BFC) is a proud Australian company taking the best of Australian dairy and meat produce to the world with fresh milk supplied by our valued farmers.

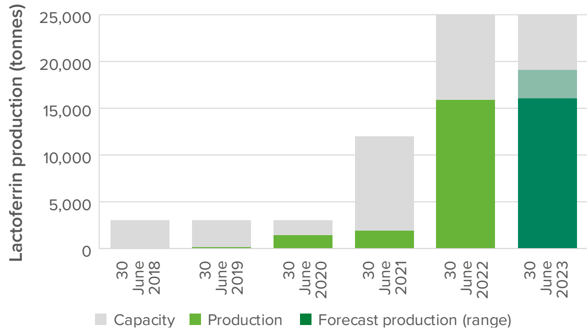
Our dairy operations are centred in South Australia with 2 factories located at Murray Bridge and Jervois. Our meat operations are based at Shepparton in Victoria.

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

## Strong growth in our core dairy business to continue in FY23

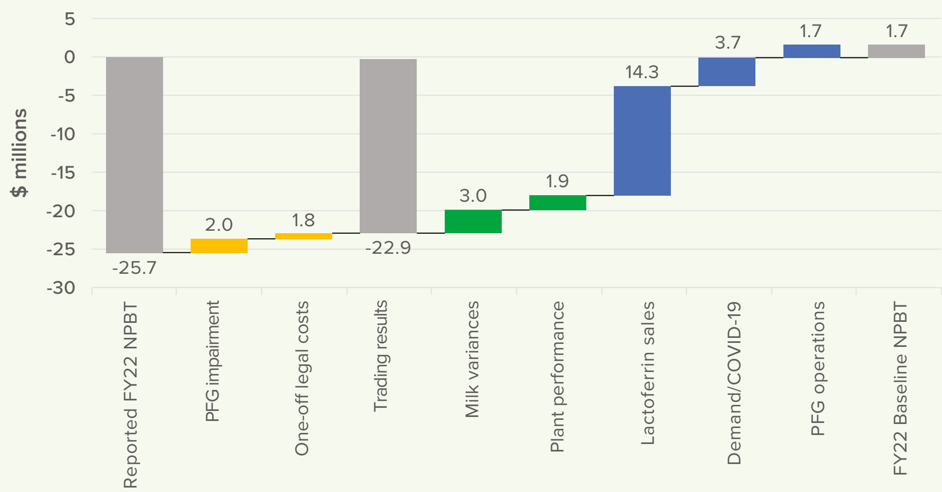




## FY22 sales impacted primarily by slower markets

FY22 profit before tax impacted by operational and demand issues




## ...with 4Q22 and beyond showing improved trajectory

# Letter from the Chairman and CEO

**Dear Valued Shareholder,**

The past year has been one which has been characterised by some exciting developments and strong growth within your Beston Global Food Company, but also by the continuation of the unprecedented on-going effects of the COVID-19 pandemic and new unanticipated cost pressures arising from geopolitical events, particularly in Europe.

Despite the challenging conditions and a year marked by significant uncertainty, Beston has been able to navigate its way through, staying focused on its controllables, posting record milk intake, record production and sales values. We are grateful for the commitment of our people, AND the loyalty of our farmer partners, customers, and consumers.

## FY22 overview

The 2021-2022 financial year was marked by many changes in our operating environment. The continuation of COVID-19 lock-downs adversely affected consumer demand, led to workforce shortages through employee absenteeism and created severe disruptions in domestic and global supply chains. These issues were compounded by global instability (the Russian-Ukraine war) which led to substantial increases in the costs of key production inputs, particularly transport (with international freight costs up by 300%) and energy costs. Tight labour market conditions and truck and driver shortages further contributed to the significant cost inflation experienced during the FY22 year.

Notwithstanding these challenges, the Company made substantial progress on a number of different fronts. Beston recorded significant operational improvements at its factories in the first half of FY22 (and delivered several record operational outcomes) which continued into the second half. These operational improvements, along with some repricing of contracts in response to global events, lifted margins and earnings in Q4 and has facilitated the migration of the business from a focus on volume performance to value performance (in line with the objectives in the Company's strategic imperatives and ten-year business plan previously enunciated to shareholders).

While the financial performance of the Company did not meet expectations in the first nine months of FY22 as a result of the challenges faced, the results achieved underscored the underlying trend towards sustained increases in margins and earnings, as was demonstrated by the strong financial results of Q4.

The underlying trend towards improved financial performance in 1H22 was demonstrated by increase in revenue per litre of milk processed (up by 20% on 1H21) and an increase in dairy gross margin (up by 5.2% on 1H21) during the period. Revenue per litre for FY22 overall was 20% higher over the prior year and Group gross margins were 5.8 times higher than in FY21.

The dairy division, and the Group as a whole, delivered positive EBITDA and cash flows in Q4 with margins up by 60% on the previous comparative period (pcp). Mozzarella production for FY22 was up by 22% on FY21, and lactoferrin production was up by 700% on FY21.

These operational and financial improvements have generated a momentum in the business which is continuing, and building, in FY23.

## Strategic imperatives

The following table details the progress made against our strategic imperatives:

### Value has been created through a consistent focus on our five strategic imperatives

**1. Milk supply**
- FY22 milk supply c. 155ML.
- Security of supply (contracts with dairy farms).
- Sourcing ≈30% of South Australian milk. Targeting further growth.

**2. Sales pipeline**
- FY22 Group sales up 24% on FY21 and continuing strongly in FY23.
- 3 significant mozzarella contracts with high quality customers.
- Mix of domestic and export customers in different market segments.
- Strong demand in 2H22 and FY23 for dairy products with prices strengthening.

**3. Capacity utilsation**
- Mozzarella production increased by ≈28% in FY22 v FY21 on higher milk supply and reliable plant operations with quality gains.
- Capacity utilisation at Jervois now at around 90%: stable plant operations, enabling yield and unit cost efficiency gains.

**4. Product mix**
- Transition to higher margin product mix with addition of lactoferrin to FY22 sales. Gross margins increased v 1H21 and improving.

**5. Dairy nutraceuticals**
- Lactoferrin plant commissioned 4Q21 on budget and operating well. FY23 production will be around 16T-19T.
- Lactoferrin range expanded to produce for Japanese market specifications in addition to China market. We now export to China, USA, Japan, South Korea, India and EU.
- Innovating with aim to produce higher specification lactoferrin for niche markets.
- Developing capability to extract other nutraceuticals.

**Outlook is strenghtening** ▶ **COVID-19 impacts receeding across the world** ▶ **Dairy commodity prices rising** ▶ **Lactoferrin sales increasing in a soft market**

Our consistent focus on these strategic imperatives has resulted in the achievement of a number of important milestones and created a platform for future growth in earnings and margins. Some of the important milestones achieved in FY22 are:

- All milk supplied in the year (around 155 million litres in total) was processed into our range of mozzarella, cream, butter, cheddar and whey powder products.
- Milk supply to our factories was 4% higher than the prior year, even though the national milk supply was down by 9% over the same period.
- All milk requirements for FY23 were contracted (circa 160ML) prior to 30 June 2022.
- Several new high quality export contracts were secured with customers in Japan, Korea and Thailand.
- Supply partnerships with McCains, Woolworths and Mondelez were renewed.
- The first sales of cream cheese to the Philippines and South Korea were contracted.
- BFC awarded "Best Mozzarella" in Australia in the Dairy Australia Association Awards.
- Several key capital installations completed successfully, including new milk and cream silos at Jervois with associated infrastructure improvements.
- Licensing agreement successfully signed with Kanematsu, Japan for plant based alternative meat products.

# Letter from the Chairman and CEO

## Operating performance

The operations team at Beston's dairy factories performed extremely well during FY22 and put behind them the significant operating issues faced in FY21 when some plant break-downs at the Jervois factory were exacerbated by the difficulty in procuring spare parts due to the COVID-induced closure of plant and equipment suppliers in Europe. The improvements in operating performance at these factories were critical to the uplift in margins and earnings in FY22, as discussed above, and to the positive financial results recorded in Q4, when the Company showed what it was capable of achieving as Australia, along with the rest of the world, came out of the COVID-19 era.

Similar achievements in operations and productivity were recorded at Beston's meat business, Provincial Foods Group (PFG) based in Shepparton, Victoria. While the growth in this business was hampered by COVID-19 restrictions in key Victorian and NSW markets, costs in the business were well controlled under the new management put in place at PFG and gross margins were increased on the prior year.

The improvements in operational performance and manufacturing reliability achieved across the Group in FY22 continues to trend positively in FY23 across our main key performance indicators.

The mozzarella production of 14,821 metric tonnes in FY22 was a record for the Company and has taken our capacity utilisation of the mozzarella plant to around 90%. The flexible functionality incorporated in the Italian built state-of-the-art mozzarella plant (which was installed and commissioned in May 2018), along with the agility of our technical production team, has enabled us to produce at least eight different types of mozzarella to suit different customer profiles in different countries. Some 40% of mozzarella production in FY22 was exported, with the balance allocated to domestic customers.

BFC has excess demand for its range of dairy products and now has a sales mix which is more broadly spread across a high quality customer base than previously. The core dairy products provide scale and efficiency (which we now have) so as to produce functional proteins and other nutraceutical products where added value is found.

## Lactoferrin

The construction and commissioning of the Company's lactoferrin plant expansion was completed on time (in July 2021) and on budget. The uplift in sales of lactoferrin from the expanded plant did not occur as expected within the FY22 year as potential customers (who also experienced their own staffing and other challenges through the COVID pandemic) took their time (in many cases six to nine months) to test the technical properties and purity levels of the lactoferrin produced from the new plant.

The Company achieved sales of 8MT by financial year and (representing approximately 50% of total production for the FY22 year) and advised shareholders in July 2022 that it had secured new sales agreements for lactoferrin of 16.6MT representing almost all of the planned FY23 production.

The results being achieved with lactoferrin sales highlight the value of the decision which was made by the Company (and supported by shareholders) to expand the capacity and capabilities of our dairy nutraceutical plant at Jervois. Our lactoferrin products are now being used by local and international infant formula companies, a number of which are making significant inroads into the USA market, in light of the recent product shortages in that country.

**Left to Right:** Hon Adrian Pederick MP, Member for Hammond, Dr Roger Sexton AM, Hon Peter Malinauskas, Premier of South Australia, Hon Clare Scriven, Minister for Primary Industries, Regional Development, Forest Industries, and Fabrizio Jorge.

BFC received registration from the Australian Therapeutic Goods Administration (TGA) during FY22 for three of its newly developed “TRUEFERRIN” branded nutraceutical products. The approval and registration of these products by the TGA have provided an important testament to the quality and bio-active functionality of BFC’s lactoferrin products and has opened up the opportunity for further growth in sales to the registered therapeutical products area of the burgeoning health and well-being market.

Lactoferrin has been shown in numerous scientific and clinical trials over a period of 50 years, to have significant anti-viral, anti-bacterial and anti-fungal properties. Lactoferrin inhibits entry into human cells and boosts immunity.

The TGA approval has enabled us to capitalise on the diverse applications of lactoferrin as a functional ingredient and enter the flourishing nutraceuticals market in Australia. It has also provided the required credentials to allow us to explore strategic alliances overseas that can benefit from our unique selling proposition of being a high quality, high purity manufacturer of lactoferrin.

Through the work done by our team of highly qualified technical specialists, we have been able to expand our lactoferrin production to meet the specifications for the Japanese market in addition to the GB-90 specifications for the China market. BFC now exports its lactoferrin products to South Korea, India, Poland, and Western EU in addition to Japan and China.

The Company now supplies lactoferrin to its customers, either as TRUEFERRIN (around 95% purity) or MEDIFERRIN (up to 98% purity). Lactoferrin has a shelf life of at least three years thereby providing different shipping options and the optionality for high grading of the customer base.

The investment we have made in plant and equipment to fractionate the protein streams in milk to produce lactoferrin and other high value dairy nutraceuticals is part of our long game strategy to capture the opportunities arising from the rising global demand for health supplements and functional foods which support human well-being by assisting the natural anti-inflammatory responses in the human body and boosting immunity. Global research indicates that over 65% of consumers in developed countries are considering immunity benefits as top of mind when making healthy food choices today. We believe that this trend will continue to grow in a post-COVID world.

# Letter from the Chairman and CEO

## Management changes

The Company made a number of important new appointments to its senior executive team in the latter part of FY22.

- Fabrizio Jorge was appointed as Chief Executive of Beston, effective 1 April 2022 following a stellar career in the global dairy industry with Nestle, Fonterra and Bubs.
- David Isherwood was appointed as Chief Manufacturing Officer, effective 26 April 2022 having spent most of his career with Fonterra Ltd in various production, management and business development roles across the world.
- Cameron Woods was appointed as Director, Food and Beverage division with responsibility for Group sales and marketing, effective from 16 May 2022. Cameron has a wealth of experience working in the global FMCG sector and for the past seven years was the Head of APAC (based in Singapore) for Leprino Foods, one of the largest manufacturers of mozzarella in the world.

As part of these changes, the Company's Financial Controller, Nick Wagner, was promoted to Chief Financial Officer.

The leadership team hit the ground running in Q4 and, as the world began to emerge from the debilitating era of COVID-19, very quickly implemented a number of revised go-to-market strategies and business development priorities to secure a focus on sustainable and profitable growth across our various product portfolios.

The Board is of the view that we have one of the most competent and experienced leadership teams in the food manufacturing industry in Australia. The team is totally focussed and aligned on the forward objectives of the Company and is well equipped to ensure that the earnings momentum which is in train is not only continued, but can be accelerated in future periods.

## Looking ahead

Since its start up in 2012, BFC has been on a strong growth trajectory based around a ten year three phase business plan. The first phase of this business plan was focussed on building out our asset base and the second phase was focussed around scaling up production. All of the objectives in these first and second phases of the plan have been achieved and we are now in the third phase with a well scaled business which is currently processing around 155 million litres of milk per annum in our dairy factories.

While we have experienced a number of unanticipated set-backs and challenges since listing in 2015, including two years of drought followed closely thereafter by almost three years of COVID-19, the Company has navigated its way through these challenges and established a sound platform for long term sustainable, profitable growth.

We are a young Company in comparison with most dairy companies in Australia but have demonstrated our persistence and determination in the face of the many challenges during the relatively short period of our journey.

In building our business, we have always played the long game, and stayed the course, to implement the objectives in the ten year business plan. The completion of the 'build out' and 'scaling up' work undertaken as part of implementing the first and second phases of this ten year plan has enabled the business to move from a focus on volume performance to a focus on value performance ('valorisation') in the third phase of the plan (which we are now in). We have also achieved a number of important strategic milestones over this time. These include:

- Year-on-year growth in revenues of 68% per annum on average to June 2022 (i.e. well in excess of the 20% year-on-year growth target in our business plan). Beston was recognised as the fastest growing food and beverage company in Australia and the second fastest growing food company in the Asia Pacific Region over the period 2016-2019 in a survey undertaken by the prestigious Financial Times, in conjunction with Nikkei Asia and Germany's Statistica (April 2021).
- Despite a decline in total milk production across Australia, we have built our milk pool from 17 million litres in 2015 to circa 155 million litres currently (representing year-on-year growth of 135% per annum over the period). From a 'standing start' in 2015, Beston has grown to become the largest dairy processor in South Australia, taking in around 35% of all milk produced in the state.
- In response to a growing global demand for functional dairy ingredients, we acquired a dairy nutraceutical 'chassis' and expanded it in 2021 to fractionate whey protein streams and provide the capacity to produce more than 20 tonnes of lactoferrin per annum. Our lactoferrin is recognised as one of the world's most pure lactoferrin products with high levels of bio-availability.
- Only one of 10 manufacturers of lactoferrin in the world with now installed capacity to produce 5% of the world demand for lactoferrin.
- Won over 160 major industry awards for quality, both in Australia and overseas.
- We have continued to grow our Dairy Foods portfolio and built capability and capacity in the production of high quality mozzarella, more than tripling the total production output since 2019 (ie from 4,400 tonnes pa in FY2019 to approximately 15,000 tonnes pa currently). BFC is now well positioned to continue to respond to the rapid growth of QSR (quick service restaurants) and Foodservices channel in a post COVID-19 world across the entire Asia Pacific region.
- Built capability and capacity to supply ready-to-heat meat and alternative meat products to meet the growing global demand for protein.

Beston is not following the large dairy companies to become 'all things to all people' in the dairy space, but has carved out a niche to be a supplier of healthy, safe, authentic, premium quality protein products (ie dairy protein as well as meat protein and plant based protein products). We believe that the company is well positioned to capitalise on the emerging trends in the global food industry.

In Asia alone, the growth in demand for protein is expected to increase by 78% through to the year 2050 according to Barclays Bank UK PLC. A recent article in The Economist (May 2022) flagged 'The coming food catastrophe' and predicted that shortages of protein could start to emerge in the next few years as a result of a 'battered global food system' which has been weakened by COVID-19, climate change, energy shocks and the Russian invasion of Ukraine.

The results achieved in Q4 of FY22, we believe, are indicative of how the Company can thrive and grow into the future.

In closing, we would like to thank all of our employees for their huge efforts and dedication in helping us to fulfil the objectives of the Company during a challenging period. We have jumped a lot of hurdles during the year as a result of the commitment, alignment and belief of our employees and generated a powerful momentum from all the contributions they have made.

We also wish to thank our shareholders, suppliers, customers and, very importantly, our farmers for their continued support. Their loyalty has been integral to the important progress which has been made by the Company during the 2021-22 financial year.


**Roger Sexton**
Chairman

**Fabrizio Jorge**
Chief Executive Officer

# Review of Operations

FY22 carried on the strong trajectory of growth in the milk and production fundamentals, as well and continuing the Group's increasing top-line revenue growth. Milk supply continued to increase despite the overall Australian milk pool decreasing, revenue growth continued with an increase of 24% over the prior year, and the dairy production facilities continued to show the improved production capability as a result of the increased focus on preventative maintenance.

## Dairy operations

### Milk supply and prices

At the beginning of the financial year, we forecast milk supply to be around 155mL. The final milk supply totalled 151mL, up around 4% on the previous year, in the face of pricing volatility leading to farmers reducing their output significantly in the fourth quarter. This reflected the overall South Australian milk pool, which decreased 1.8% against the prior year based on Dairy Australia statistics, most of which was in May (10% lower volumes than expected) and June (18% lower) 2022.

We are delighted that our contract dairy farm suppliers have continued to see milk pricing improve in the FY23 season. The Group has always held the view that dairy farmers should receive a fair and appropriate economic price for their milk. Input cost increases faced by farmers have been recognised in record milk prices being offered by processors.

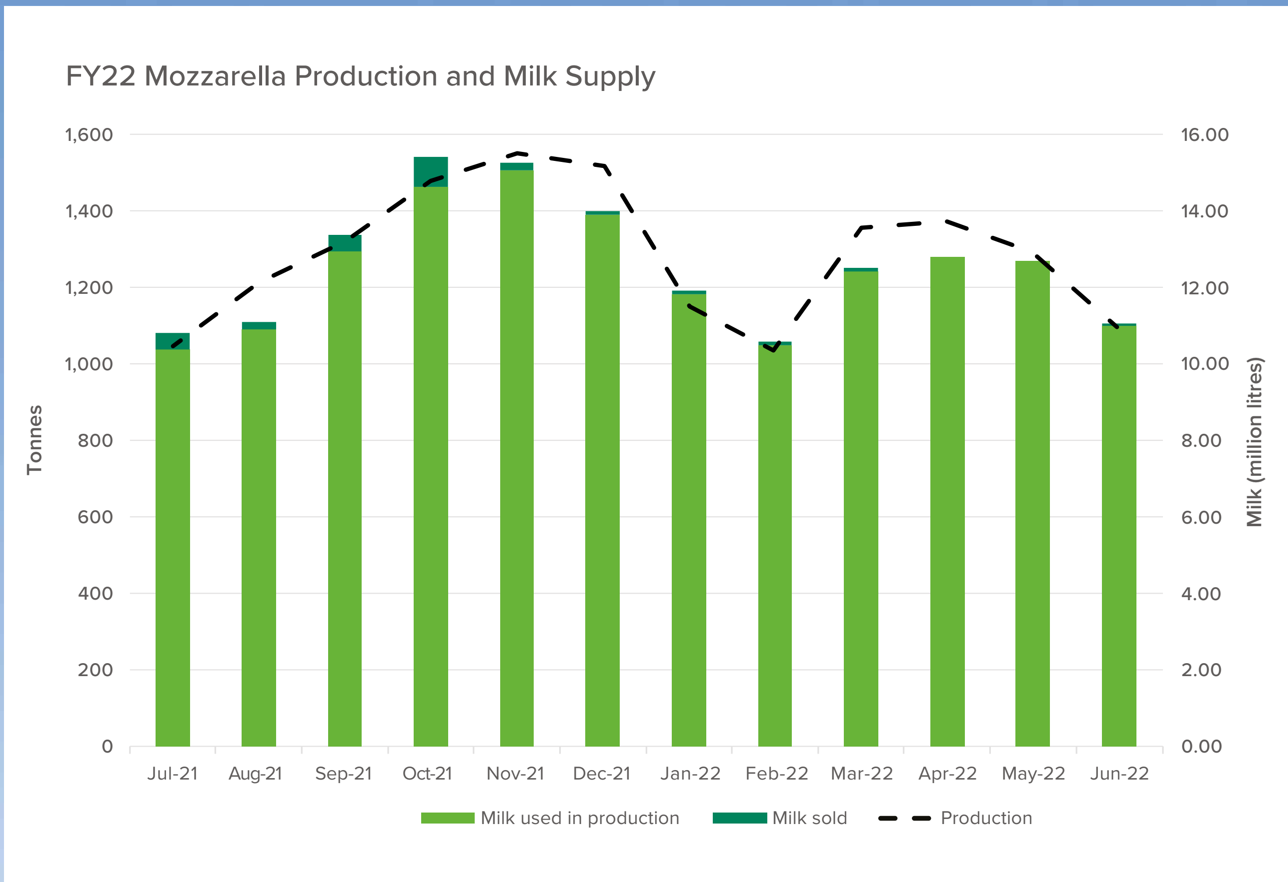
### Mozzarella production

The increased milk supply in FY22 allowed Beston's Dairy businesses to complete record levels of production in all product categories. Operational performance of the Jervois and Murray Bridge production facilities was not impacted by production issues which hampered the business in prior periods, and substantially all of the milk secured by Beston in FY22 was allocated to production of cheese and related products at Jervois and Murray Bridge, per the below chart.

The reduction in delivered milk in the fourth quarter of FY22 led to production guidance being insignificantly under-delivered, with 14,821 tonnes of mozzarella being produced for the year – a record for our Jervois plant, and a 22% increase on the prior period, despite an increase of only 4% in total milk delivered compared to the prior period.

### Lactoferrin production

With the increased reliability of the performance of the Jervois mozzarella plant, lactoferrin production was ramped up to deliver production of 14.3 tonnes of finished goods lactoferrin for FY22, and a further 1.5 tonnes of finished goods equivalent lactoferrin was held in concentrate form yet to be dried. Lactoferrin held on hand available to satisfy the increased demand in FY23 totalled approximately 10.5 tonnes of finished goods powder and equivalent in liquid concentrate as at 30 June 2022, noting that lactoferrin has a shelf life of 3 years.


FY22 Mozzarella Production and Milk Supply
Tonnes
1,600
1,400
1,200
1,000
800
600
400
200
0
Milk (million litres)
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
Dec-21
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Milk used in production
Milk sold
Production

## Review of operations

**Provincial Food Group increased revenue by approximately 27% over the prior period and reported $12.8 million of sales in FY22, with the potential to grow by around 20% in FY23.**

## Meat operations

The Provincial Food Group ("PFG") increased revenue in the year ended 30 June 2022 by approximately 27% over the prior period. However, it was not able to achieve the sales growth planned for the business at the start of the year, mainly as a result of being in Victoria which was substantially impacted by COVID-19 lockdowns and other restrictions. Operating for much of the year under the more stringent COVID-19 restrictions in place throughout Victoria, the efficiency of factory operations was significantly lower than under normal operating conditions.

None-the-less, the PFG management team, supported by the factory personnel, delivered a commendable performance to maintain operations throughout the lock-down periods, and to manage extended periods of absenteeism caused by lock-down restrictions.

A number of management changes have been made at PFG during recent months to increase the depth and breadth of the skill base, with the appointment of existing team members to new roles including Commercial Manager and Operations Manager. We expect these appointments, along with the normalisation of operations post-COVID-19, will result in a lift in performance in PFG in FY23.

Sales growth was targeted to come primarily from new products for customers in the food services and retail sectors. Reviews of existing contracts have been undertaken to ensure that the business has been able to substantially pass on the increasing input and conversion costs to which the business has been subjected. Capital projects such as the installation of rooftop solar farms have been completed in order to reduce the reliance on volatile energy markets.

The business reported $12.8 million of sales in FY22 and has the potential to grow by around 20% in FY23 if the margin reviews and sales opportunities currently being pursued can be converted in a timely manner under the new leadership.

## Financial summary

### A transformative year

Beston Global Food Company Limited (ASX: BFC) (the Group) advised shareholders in its Trading Updates on 2 June 2022 and 29 July 2022 that the Group would report a statutory loss for FY22 as a result of the net profit after tax (NPAT) loss recorded in the first half and some of the early months of the second half.

The Q4 results for FY22 showed a positive Group earnings before interest, tax, depreciation and amortisation (EBITDA) and positive Group operating cash flows, reflecting the significant improvements achieved in the Group's factory operations, and the progress achieved in implementing a range of continuous improvement initiatives to improve margins. The momentum built up in Q4 has continued into 1Q23 and has provided the basis for confirmation of the operating and earnings guidance as detailed in the aforementioned Trading Update lodged with the ASX on 29 July 2022.

### Overview

The FY22 financial performance of BFC was significantly impacted by a number of COVID-19 related events in the first nine months of the year. These events included:

- A slowdown in global lactoferrin sales due to declines in birth rates over the COVID-19 period, and reduced global demand for infant formula, particularly in China. This led to significantly lower volumes of lactoferrin sales against expectation for FY22 ($14.3m lower than expectation).
- A dramatic reduction in food service sales, as restaurants and hospitality outlets were closed as a result of government-imposed lockdowns.
- Significant increases in international freight costs (by as much as 300% for many shipping routes utilised by Beston) which were not able to be fully passed onto customers under the terms of contracts then in place ($2.2m).
- Stock write-downs due to delayed delivery of mozzarella shipments ($1.5m).
- Significant staffing & absenteeism implications for our Shepparton meat and plant-based alternative factory for a substantial part of the year due to COVID-19 management mandates imposed by the Victorian Government.

The financial impacts of COVID-19 related events were exacerbated by underperformance in the whey powder plant at Jervois in the first half, which caused some whey powder from impacted production runs to be downgraded and subsequently sold at a discount to our normal high-quality products and is estimated to have cost the business $1.9m. Of the plant performance ($1.9m), lactoferrin sales ($14.3m) and demand/COVID-19 issues ($3.7m) noted, none are expected to reoccur in FY23 (total of $19.9m of non-recurring issues).

# Review of operations

We were also subjected to delayed take-up of lactoferrin sales following the completion of the plant expansion, as potential customers took time to independently assess the purity and technical quality of the lactoferrin produced in our new plant. Milk supplied during the first half of the year was also naturally lower in protein than expected, and milk supplied in the fourth quarter dropped off significantly against expectation (combined impact of $3.0m, per chart on page 3).

The Group made a number of operational and management changes during FY22 which resulted in substantial improvements in margins, profits and cashflow in the fourth quarter. These changes were critical in enabling the Group to cope with the challenges to the business presented by the impact of COVID-19 and the significant increase in input costs which arose from geopolitical events, weather conditions and other unexpected events.

During the fourth quarter, the newly established management team put in place a series of actions to review our market, customer, product, and pricing mix positionings, all of which contributed to an uplift in margins and operating results. Over 50% of the Company's FY22 margins were delivered in fourth quarter alone.

Global supply chain delays, energy shocks, the Russian invasion of Ukraine, truck and driver shortage related freight issues, tightening labour market conditions, interrupted and inconsistent customer trading, and significant increases in farm gate milk prices all contributed to the significant cost inflation experienced during the FY22 year.

Sales product price increases were put in place across all customers and channels during the fourth quarter of FY22. These price increases started contributing to the uplift in bottom line results in this period but will contribute more significantly in FY23 as more longer-term contracts roll over and are able to be reset at the higher prices.

The continuous improvement initiatives which have been put in place across the Group in FY22 (via management changes, operational improvements, costs efficiencies, channel-led value creation etc.) as we valorise our business model will continue to deliver in FY23 and be reflected in future financial results.

The key operational outcomes for FY22 and FY23 Guidance are summarised in the table below:

| Measure | | FY21 Actuals | FY22 Actuals | Variance to FY21 Actuals | FY23 Guidance | Variance to FY22 Actuals |
|---|---|---|---|---|---|---|
| Milk Supply | mL | 146 | **151** | ↑4% | **155 - 175** | ↑9% |
| Mozzarella production | MT | 12,150 | **14,821** | ↑22% | **15k - 16k** | ↑5% |
| Lactoferrin production | MT | 2 | **16** | ↑700% | **16 - 19** | ↑10% |
| Group Sales | $m | 112 | **140** | ↑25% | **150 - 180** | ↑18% |
| EBITDA | $m | -24 | **-18** | ↑25% | **8 - 10** | ↑ significant |
| Revenue per litre of milk | $/l | 0.77 | **0.84** | ↑9% | **1.00 - 1.15** | ↑28% |
| Capex | $m | 17 | **5** | ↓70% | **6 - 8** | ↑40% |

# Capital Management

During the latter stages of FY22, Beston implemented a capital management strategy to reset the balance sheet and accelerate transformational growth in the revenue and earnings of the Company, while consolidating our position as South Australia's largest and leading dairy company.

The key activities undertaking in FY22 and early FY23 were:

- Completing the sale of the investment in Neptune Bio Innovations in July 2021.
- Restructuring the Group's banking facilities to better match the needs of the business through FY23 and beyond.
- Initiating a capital raise which will be completed in November 2022.

The company has worked with its principal bankers to restructure the Group's banking facilities to better match the needs of the business from FY22 into FY23 and beyond. The revised facilities were negotiated during the final quarter of FY22, and implemented in September 22 ahead of the FY23 peak milk supply season commencing. The following table summarises the liquidity position of the company as at 30 June 22, and notes the new facilities have been put in place as of the first quarter of FY23.

| Facilities Types | Drawn 30 June 22 $m | FY23 facility limits $m |
|---|---|---|
| Mortgage | 2.6 | 2.6 |
| Term Loan | 36.5 | 36.5 |
| Equipment Lease and Hire Purchase | 5.7 | 5.7 |
| Working Capital | 3.0 | 18.7 |
| | 47.8 | 63.5 |

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

A further $26.5 million after costs is expected to be raised from investors during the new financial year. A placement programme to raise approximately $3.3 million was supported by a non-renounceable entitlement offer to raise approximately $25 million, to be completed in November 2022.

The primary use of the funds raised is to:

- Continue to increase the underlying cash generation of the dairy business through further investment in the bioactive protein and nutraceuticals space, to capture additional lactoferrin throughout the peak milk period, and to continue Beston's leadership in the bioactive protein and nutraceuticals space ($3 million).
- Invest in several high ROI manufacturing projects to accelerate profit and sustainability improvements including vertically integrating our cheese processing capabilities to capture lost margin ($7.5 million).
- Retire debt to provide greater capacity to enhance profitability and to fund future growth opportunities, whilst providing a greater level of protection against unexpected or uncertain events such the impacts of COVID-19 ($16 million).

# Sustainability

The Board of Directors and Management Team recognised the critical importance of protecting the planet that we live on, and have therefore implemented a number of policies and practices with the objective of positioning Beston as the leading sustainable dairy company in Australia. We believe that the sustainability measures we have put in place will also lead to productivity improvements in our business.

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

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

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

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

## Sustainability strategy

Beston is targeting to have net zero emissions by 2050 and halve its global emissions footprint by 2030. Our sustainability strategy provides the foundation and direction for the decision-making in our factories.

Our goal is to positively impact our environment, our people and the next generation.

We aim to play a leadership role in moving to a net zero carbon organisation in the dairy industry and to offer carbon neutral production to our customers. We avoid waste by reducing material inputs to our products (such as by enhanced yield practices) and re-using waste from our manufacturing operations (such as the whey bi-product from cheese making) to make more products.

Our approach to becoming carbon neutral has not been to buy carbon offsets from the market, but rather to take a more direct approach by targeting the systemic causes of climate change within our own supply chain and achieve measurability (as per our on-farm methane abatement programs described below). An independent carbon audit measured against the Federal Government 'Carbon Active' standard commissioned this year is central to establishing our benchmarks and priorities for coming years.

The sustainability team at Beston has looked at how our Company can help to shape the future of the food system to promote sustainability and understand the role that dairy can play in engendering long term sustainability in the industry.

A number of important initiatives have been put in place at our factories around packaging, water usage, promoting healthy soils and achieving zero waste.

## PACKAGING

Non plastic target **100%**
*– Re-use, recycle or compost*

Plastic target **70%**
*– Re-use, recycle or compost*

Packaging target **50%**
*– Recycled content*

Minimise single use plastic

**On track for 50% attainment in 2023**

The re-use of plastic has been a strong focus in FY22 given the achievement in re-use of non-plastics. Some 17 MT of plastic was saved by optimising Mozzarella film and 4 MT saved through changes in the use of cling film. A collaborative trial was conducted during FY22 with customers on a 100% recyclable plastic wrap for cheese.

## PROMOTING HEALTHY SOILS

Beston has approximately 80 ha of land associated with the Jervois and Murray Bridge sites. Much of this land is irrigated to manage water discharge but also to enable neighbour/partners to graze stock. We aim to ensure these soils remain healthy and productive for future generations. In FY22 we engaged an independent external soil expert to challenge our existing practices and prioritise an action plan. Our FY23 target is to complete this work and implement the action plan.

## WATER USAGE

Achieve a
**10% reduction**
in water use every year for the next 5 years

A reduction in water usage target has been initiated for FY23. Site water audits have identified key areas where a step change in water usage can be achieved. Significant funding and capital works are planned to start during FY23 to achieve the target of a 10% reduction in water usage every year for the next five years.

## ZERO WASTE

**TARGET:**
Achieve a
**50% reduction**
in FY23

FY22 saw many initiatives delivered by the sustainability team to achieve zero waste to landfill:

- returning all packaging from chemical products to the suppliers for re-use
- separating cardboard from waste bins for recycling (some 17 tonnes of cardboard was diverted from landfill in FY22)
- saving plastic lids from additive products and returning to the supplier (some 15 pallets of lids were saved and recycled during FY22), and
- collecting and separating scrap metal from our factories and the local community and recycling.

## Sustainability

**The economic benefits of the 'farming the sky' concept are that Beston can reduce its power bills while enabling farmers to also reduce their power costs.**

## Farming the sky

Electricity and natural gas are amongst the highest input costs in our manufacturing processes and are amongst the highest items in terms of greenhouse gas emissions at our factories. As a result, we are constantly seeking efficiency gains to reduce the consumption of energy at our production sites.

We installed a 354 kWh solar power generation plant at our Provincial Foods factory at Shepparton, Victoria during FY22 which came into operation in December 2021. This plant has substantially lowered our energy bills at PFG and also reduced our emissions of greenhouse gas.

Beston has been engaged in examining the feasibility of an even larger 2.31 mWh Consumption Based PPA Solar System and 500.0 kWp/1000 kWh battery Energy Storage capability at our Jervois facility. Options which have been considered are on-roof or on-ground solar panels (or a combination).

A detailed assessment has been performed using data that included actual energy consumption, operating hours and behavioural patterns. The preferred option is to be staged and will provide our Jervois plant with the opportunity to reduce greenhouse gas emissions by an estimated 4,820 metric tonnes per annum. The initiative would provide Jervois with the ability to eliminate the risk of future price rises and provide supply security for at least a third of the factory's annual consumption.

The project under consideration will also provide the opportunity to generate power in excess of our requirements and to feed the surplus into the grid for on-purchase by our contract dairy farmers at a rate cheaper than grid prices.

The economic benefits of this 'farming the sky' concept are that Beston can reduce its power bills while enabling farmers to also reduce their power costs. The use of battery storage will also provide grid stability and eliminate cooling down-time at our mozzarella, butter, whey and lactoferrin plants in times of power outages.

This renewable energy project has involved extensive technical design work to ensure that the plant both optimises the current needs and also accommodates expansion for future needs.

## Bio-security protocols

Beston takes a very proactive stance in protecting Australia's biosecurity. Our Company was an early mover in putting bio-security protocols in place to mitigate the risks associated with Foot and Mouth Disease.

The protocols put in place on 25 July 2022 have included:

- An international travel ban for Beston milk supply staff and families.
- Where possible, limiting farm visits and redirecting meetings to offsite locations.
- When necessary, such as for quality issue resolution, Beston farm visits will be by prior appointment with farmers only, no cold calls.
- Beston vehicles are not to enter properties. Beston staff are to request farmers to collect them from the roadside outside of properties, and drive them into their properties.
- Beston farm visits when necessary, will be limited to one per day.
- All items of clothing and footwear are to be changed and washed in between farm visits including jackets and jumpers. Separate pair of footwear will be used specifically only for farm visits, this footwear will be cleaned and disinfected in between farm visits.

These protocols will remain in place until the Australian Government has advised that the risk of Foot and Mouth Disease has ceded.

# Sustainability

## On-farm methane abatement program

The livestock sector in Australia is responsible for 48% of the country's methane emissions (mainly due to the digestive functions of cattle and sheep). Methane emissions make up about 25% of Australia's total greenhouse gas emissions.

Beston estimate that more than half of the greenhouse gas emissions associated with the production of its dairy products (and ingredients) emanate from the on-farm production of milk. The bulk of the methane emissions generated on farms (ie around 80%) is enteric, resulting from dairy cows burping methane gas from their digestive tract during rumination, a natural process for all grass eating animals. The remaining 20% is emitted from manure stored in anaerobic conditions.

In order to tackle the problem, and reduce the carbon footprint associated with its supply chain, Beston launched a project in May 2022, in conjunction with the South Australian Departments of Primary Industries and Regional Development (PIRSA), to introduce alternative feeding strategies for the cows owned by the Company's contract dairy farmers. The project involves a study of 3,500 cows with the introduction of innovative feed supplements into the cows diet to modify the conditions in the cows' rumen and reduce the generation of methane as the cows digest their food. The methane emissions from each cow is captured digitally to provide a basis for comparison with a control group of traditionally fed cows.

Beston has been a 'first mover' in establishing this methane abatement program. The program has developed as a collaboration between Beston, South Australian dairy farmers, the SA Department of Primary Industries and Regional Development and scientists at the University of Adelaide.

The data collected from each farm is stored in an Azure database and placed on a Beston developed OZIRIS distributed ledger platform to ensure indisputable chain of custody for each cow on each farm and compliance with all Government standards for carbon tracking.

Currently, direct livestock emissions account for about 70% of greenhouse gas emissions by the agricultural sector in Australia and 11% of total Australian emissions.

## Contribution to food security

Research by the CSIRO (Australia's Protein Roadmap, March 2022) shows that the future of global food security will rely heavily on global access to proteins. The world will need to produce around 60% more food to feed an expected 9.7 billion people by 2050. To feed rising populations, the global demand for protein is expected to increase by 20% through to 2025.

This means that the world must produce more protein, more sustainably, and from more sources. To meet this challenge, plant-based proteins are increasingly becoming an alternative to the consumption of traditional protein from animal based products.

Australia is the world's third fastest growing market for plant-based foods. In 2019-20 Australia's plant based meat sector generated $185 million in sales (up by 32% from 2018-19).

The CSIRO estimates that Australia's plant based protein sector could grow to $9.0 billion in sales by 2030.

Market research suggests that for most consumers, the consumption of plant based meat alternatives is not about eliminating animal products completely, but rather diversifying their diet (ie with a "flexitarian" lifestyle).

The use of plant based food products is also a means by which the world can tackle emerging food shortages with an expanding population and the rapidly increasing global demand for protein.

The global plant based food market is expected to grow from USD 29.4 billion in 2020 to USD 162 billion by 2030.

The technique used to produce alternative meat products (commonly called meat analogues) is via extrusion, a process that utilises high heat and pressure to texturise vegetable protein with water into a product with a fibrous consistency like animal meat. The key to the taste and quality of alternative meat products is flavour and texture.

Beston acquired plant-based production technology, along with appropriate plant and equipment from the US in 2020 and undertook contract manufacturing for a period of time in order to build capability and capacity at its wholly owned subsidiary company, Provincial Food Group based in Shepparton, Victoria. We recently entered into a joint venture with Japanese company, Kanematsu, to produce plant-based burgers for distribution in Japan, Asia and Australia.

## Beston Technology

The aim of providing traceability of its ingredients and verification of the authenticity of our products has been at the front and centre of BFC's activities from our first day of operations as a start up company in 2012.

As has been noted in previous Annual Reports, when Beston started out, we wanted to incorporate technology on to our packaging which could both prevent counterfeiting of our products (a big problem for food and beverage companies in China) and empower consumers so that they could verify the provenance of our product and track-and-trace the ingredients. We looked around the world to find a suitable off-the-shelf technology for our needs and discovered that none actually existed.

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

Over the past few years, we have been further refining the technology so as to enable it to be used as a Software-as-a-Service (SaaS) by other food producers in Australia.

As a result of the refinements we have put in place, the Beston Technologies' platform has evolved into a multifunctional device which has broader applications across food and beverage supply chains. These applications have been tested in proof-of-concept trials involving recycling of plastic wasted, meat and food recall and the authentication of rare minerals:

- The OZIRIS technology has been successfully tested in waste transfer stations to quickly and efficiently sort plastic packaging into recyclable and non-recyclable. The application puts Beston's technology in a unique position to play a leading role in managing the recycling of plastic packaging in Australia and is particularly relevant to the recent introduction of Federal Government legislation which requires food manufacturers (and others) to have 75% of their packaging recyclable by 2025 (as part of a wider Government objective to create a 'circular economy' for product packaging waste management).
- The OZIRIS technology has been used successfully in trials with a major supermarket chain to reduce food wastage via the data capture of food which is close to 'use by' expiry dates or subject to food recalls by manufacturers. A number of major supermarket chains are committed to achieving zero food waste to landfill by 2025. The team at Beston Technologies recently released a Food Recall Podcast. The Podcast explained a Proof of Concept (POC) trial made in conjunction with GSI Australia, Australian Dairy Federation (ADF) and EY on a review and trial of BFC's Mozzarella supply-chain (end-to-end) including the Jervois dairy factory and farmers. This involved ADF's draft traceability guidelines (full dairy supply chain including retailers) and Beston Technologies Blockchain and Smart contracts (food recall with Woolworths). Beston Technologies will work with the partners in advancing the adoption of traceability application in dairy supply chains to save waste, time and improve efficiencies.
- In conjunction with our team at Provincial Foods, a pilot export project was conducted on Halal meat burgers to track the product from origin to market in Singapore and substantiate the Halal status of the projects (in view of the increasing concern in Asia about fake Halal meat products being sold which are neither Halal certified nor, often, are not even beef as labelled). The pilot project was successful and Beston Technologies have now signed a pre-licensing Agreement with Singapore based WhatsHalal Pty Ltd for potential application of the technology in the Asian Halal market.

Beston Technologies has recently been awarded a Provisional Patent for the real time near-infra-red (NIR) portable device developed for Halal meat quality identification purposes. Two further patents are pending in related areas and are anticipated to be filed in January 2023, all of which will extend Beston Technologies' patent portfolio.

Beston Technologies is expanding its association with the University of Adelaide's Institute for Photonics and Advanced Sensing (IPAS) through a recently awarded Federal Government Innovation Connections Grant. This grant builds upon previous POC trials for multi-modal sensing applications, to enable Minimum Viable Products (MVP) to be developed by December 2022. It is anticipated that these will be commercialised in early 2023, with targeted clients demonstrating firm interest in associated Software as a Service (SaaS) support and licensing.

Beston has previously advised shareholders of its objective to commercialise its technology business to allow it to realise its full potential and enable Beston to focus on its core business as a protein based, food and beverage company. That objective remains. Beston expended significant funds initially to develop its IP and technology platform but has made extensive use of Government grants in the last few years to further expand the applicability of the technology and increase its affordability relative to other emerging competitors in the marketplace. Much of the progress in recent times has been achieved through a collaboration with the University of Technology Sydney (Computer Sciences), supported by the Australian Government's DIIS Entrepreneurs Programme, and a 3-year award of the prestigious CSIRO supported SIEF Ross Metcalfe Business Fellowship grant.

# Directors

The Company has a well-defined Board succession and renewal planning process to identify and nominate potential new directors to the Board in a professional manner, as well as maintaining the current diverse balance of experience across different industries it currently possesses. The Board reviews potential new directors considered suitable for appointment and assesses them against a range of criteria including skills, experience, knowledge, personal qualities, ability to exercise independent judgement and diversity required to discharge the Board's duties.

The Board ultimately makes selections of the preferred candidates for positions of Directors, if required to be filled, and does so with a view to ensuring that the Board maintains an appropriate mix and balance of skills and that succession plans are in place for Directors. The Board is currently comprised of highly experienced business leaders from different backgrounds who collectively possess the skills, experience, tenure and diversity considered necessary to appropriately govern an ASX-listed organisation in the food production industry.



## Roger Sexton AM
*Chairman*

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

## Stephen Gerlach AM
*Non-Executive Director*

Stephen Gerlach is a company director and corporate adviser. He was formerly a Partner of the legal firm Finlaysons for 23 years and its Managing Partner for 7 years. Stephen is the Chancellor of Flinders University. Stephen was a Director and Chairman of Santos Ltd, Elders Ltd, Elders Rural Bank and Equatorial Mining Ltd. He was also director of a number of other public companies including Southcorp Ltd, Brunner Mond Holdings Ltd (UK) and companies located in the UK, the USA and Chile. He has been actively involved in a number of community and professional associations and is currently a Trustee of the Australian Cancer Research Foundation, a Director of the General Sir John Monash Scholarship Foundation, Chairman of Psychosis Australia Trust. He was the inaugural Chairman of Foodbank South Australia Inc from 1999 to 2014, and a director of Foodbank Australia.

## Neil Longstaff
*Independent Non-Executive Director*

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

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

## Cheryl Hayman
*Independent Non-Executive Director*

Cheryl Hayman brings international experience including significant strategic and marketing expertise derived from a 20 year corporate career which spanned local and global consumer retail organisations. Her skills include developing marketing and business strategy across diverse industry segments, growth orientated innovation and product development. Cheryl has expertise in traditional and digital communications, an ability to carve out a competitive edge for business development and the ability to drive strategic brand development. Cheryl is a Director of Ai Media Technologies Ltd (ASX:AIM), Hancock & Gore Limited (ASX:HNG) and Chartered Accountants Australia and New Zealand, as well as not-for-profits, Peer Support Australia and the Darlinghurst Theatre Company. She serves on the Digital Experts Advisory Committee for the Department of Prime Minister and Cabinet.

## Kevin Reid
*Independent Non-Executive Director*

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

**Left to right:** Cheryl Hayman, Neil Longstaff, Roger Sexton, Stephen Gerlach and Kevin Reid.

# Executives

The Company made a number of important new appointments to its senior executive team in the latter part of FY22, ensuring we have the right team in place for our next stage of growth.

**Left to right:** Cameron Woods, Hamish Browning, Fabrizio Jorge, David Isherwood and Adrian Bartsch.

### Fabrizio Jorge

*Chief Executive Officer*

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

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

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

### Nick Wagner

*Chief Financial Officer*

Nick is a senior finance executive with over 15 years of experience and has been with Beston since 2017. He oversees the financial management, funding, and investments of the domestic and international operations.

Before joining BFC, Nick has held several senior finance roles in ASX listed entities including Elders Ltd, Viterra Inc, OZ Minerals Ltd, and Codan Ltd. Nick's commercial experience was built on a professional foundation gained working for big 4 accounting firm PwC, both in Australia and overseas.

Nick has completed both a Bachelor of Commerce and a Master of Business Administration from the University of Adelaide, is a graduate and member of the AICD, and is a Chartered Accountant (CAANZ).

### David Isherwood

*Chief Manufacturing Officer*

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

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

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



## Hamish Browning

*Director, Agribusiness and Milk*

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

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

## Cameron Woods

*Director, Food and Beverages*

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

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

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

## Adrian Bartsch

*Director, People and Culture*

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

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

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


MOZZARELLA CHEESE
Superior Stretch & Perfect Melt
SOUTH AUSTRALIA
BESTON
EDWARDS CROSSING
BESTON

# Directors' report

The Directors present their report on the consolidated entity consisting of Beston Global Food Company Limited ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2022. Throughout the report, the consolidated entity is referred to as the Group.

## Directors

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

- **R N Sexton**
- **S Gerlach**
- **N Longstaff**
- **C Hayman** (appointed 5 August 2021)
- **K Reid** (appointed 31 January 2022)
- **P Coventry** (resigned 31 January 2022)
- **I McPhee** (resigned 31 January 2022)
- **J Andrew** (resigned 19 August 2022)

## Principal activities

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

**(a)** Production of dairy, meat, and water products for sale into local and international markets.

**(b)** Development and production of health and well-being focused food, beverage and pharmaceutical products.

**(c)** Development and commercialisation of end-to-end food traceability and anti-counterfeit technology.

## Dividends - Beston Global Food Company Limited

There were no dividends provided for during the year ended 30 June 2022 (2021: 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 10 to 14.

## 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

### Financing facilities

As at 30 June 2022 the Group's working capital financing facilities comprised a $41.8 million multi-option loan facility (the "Facilities") expiring 31 August 2023. As at 30 June 2022 the Group had drawn down $39.5 million under the Facilities.

On 7 September 2022, the Group completed negotiations to arrange a new increased facility of $53.2 million expiring 31 August 2023.

The new facility agreement includes two debt repayments totalling $16mill to be completed within the timeframes contained in the agreement. The timing of the planned capital raise discussed in note 20(a)(i) to the financial statements has required the Group to seek extension for the first debt repayment due on 30 September 2022. The Group's bankers have agreed to extend the terms of the repayment. The repayment has been agreed with the Group's bankers to be paid out of the proceeds of the Placement and Entitlement discussed in note 20(a)(i) to the financial statements. A second debt repayment scheduled for 31 December 2022 has been brought forward to align with the expected proceeds from the Entitlement Offer.

These repayments are expected to be funded via the proceeds raised in the capital raise noted below.

### Employee share issue

The Board of BFC provided STI bonuses to key members of the senior management team in recognition of the transformative work which was delivered in Q4 of FY22 to achieve the profit targets for that period, as the Company recovered from the impacts of COVID-related events and other factors which led to under performance in prior months, and particularly in H1.

The recipients of the STI bonus payments in respect of Q4/FY22 have opted to receive the payments in BFC shares, rather than cash. Accordingly, the following new shares were issued on 2 September 2022:

| | |
|---|---|
| Fabrizio Jorge, Chief Executive Officer | 1,036,270 |
| David Isherwood, Chief Manufacturing Officer | 777,200 |
| Cameron Woods, Director, Food & Beverages | 777,200 |
| Nick Wagner, Chief Financial Officer | 712,435 |
| Hamish Browning, Director, Agribusiness & Milk Supply | 712,435 |
| Adrian Bartsch, Director, People & Culture | 466,320 |

**Strategic partnership update**

BFC provided an update on 05 August 2022 on its discussions with KCG Corporation in Thailand ("KCG") in relation to a potential strategic partnership under the terms of a Memorandum of Understanding (MOU) between KCG and BFC.

BFC and KCG have completed their mutual due diligence, within the target date of 31 August 2022, and neither party identified any issues of concern that would preclude the strategic placement from proceeding.

However, several matters remain unresolved, relating particularly to the terms and conditions of the Supply Agreement which is planned to be put in place between KCG and BFC as per the signed MOU.

Until such time these matters can be resolved, BFC has advised KCG that it has withdrawn its offer, under the terms of the MOU, to make a strategic placement of shares to KCG.

The management teams of KCG and BFC will continue to focus on the terms and conditions of the Supply Agreement. Any such Supply Agreement requires that the interests of both parties be properly balanced, so as to ensure the longevity and viability of the Agreement.

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

## Likely developments and expected results of operations

The Company has made announcements to the Australian Stock Exchange dated 2 June 2022, 6 June 2022, 29 July 2022 and 31 August 2022 setting out information on likely developments for the Group in the coming financial year.

## Compliance with environmental regulation

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

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

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

The Group commenced a wide range of initiatives during FY22 in order to meet its sustainability objectives and reduce its carbon footprint.


Freshers only

# Directors' report

## 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 for the Australian Bureau of Agricultural Economics and Industries Assistance Commission, with a particular focus on the dairy industry. Roger also has had extensive experience overseas and particularly in China and the Asia Pacific, as a result of leading trade and investment missions to the region for more than 30 years and from working on investment banking transactions in the region. Roger is actively engaged in a number of community organisations, including as Chairman and Principal Patron of the Freemasons Foundation Men's Health Centre at the University of Adelaide. Until recently, he served as President (SA/NT Division) of the Australian Institute of Company Directors and has been a member of the Australian Accounting Standards Board. |
| **Other current directorships** | KeyInvest Ltd |
| **Former directorships in last 3 years** | – |
| **Special responsibilities** | Founder of Beston Global Food Company Limited<br>Chair of the Board<br>Member of audit and risk committee |

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

| | |
|---|---|
| **Experience and expertise** | Stephen Gerlach is a company director and corporate adviser. He was formerly a Partner of the legal firm Finlaysons for 23 years and its Managing Partner for 7 years. Stephen is the Chancellor of Flinders University. Stephen was a Director and Chairman of Santos Ltd, Elders Ltd, Elders Rural Bank and Equatorial Mining Ltd. He was also director of a number of other public companies including Southcorp Ltd, Brunner Mond Holdings Ltd (UK) and companies located in the UK, the USA and Chile. He has been actively involved in a number of community and professional associations and is currently a Trustee of the Australian Cancer Research Foundation, a Director of the General Sir John Monash Scholarship Foundation, Chairman of Psychosis Australia Trust. He was the inaugural Chairman of Foodbank South Australia Inc from 1999 to 2014, and a director of Foodbank Australia. |
| **Other current directorships** | – |
| **Former directorships in last 3 years** | Chairman, AML3D Ltd<br>Chairman Ebony Energy Ltd |
| **Special responsibilities** | Founder of Beston Global Food Company Limited<br>Member of the remuneration and nomination committee |

**Neil Longstaff** *B.Bus, GAICD*
Non-executive director

| | |
|---|---|
| **Experience and expertise** | Neil Longstaff has had a career across a range of food categories. He has spent more than 20 years working at executive levels and consulting within the dairy industry, including roles as Chief Executive Officer of Kyvalley Dairy Group and General Manager, Commercial Group with Murray Goulburn Co-operative. His commercial experience in the dairy industry has included both branded and commodity products within domestic and export markets.<br><br>Prior to his career in the dairy industry, Neil held marketing and sales roles with companies including Lanes Biscuits, SPC, Heinz, Nabisco and Nicholas Kiwi. |
| **Other current directorships** | – |
| **Former directorships in last 3 years** | – |
| **Special responsibilities** | Member of the audit and risk committee<br>Member of the environment and sustainability committee |

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

| | |
|---|---|
| **Experience and expertise** | Cheryl Hayman brings international experience including significant strategic and marketing expertise derived from a 20 year corporate career which spanned local and global consumer retail organisations. Her skills include developing marketing and business strategy across diverse industry segments, growth orientated innovation and product development. Cheryl has expertise in traditional and digital communications, an ability to carve out a competitive edge for business development and the ability to drive strategic brand development. Cheryl is a Director of Ai Media Technologies Ltd (ASX:AIM), Hancock & Gore Limited (ASX:HNG) and Chartered Accountants Australia and New Zealand, as well as not-for-profits, Peer Support Australia and the Darlinghurst Theatre Company. She serves on the Digital Experts Advisory Committee for the Department of Prime Minister and Cabinet. |
| **Other current directorships** | Ai Media Technologies Ltd (ASX:AIM)<br>Hancock and Gore Ltd (ASX:HNG)<br>Chartered Accountants Australia and New Zealand |
| **Former directorships in last 3 years** | Clover Corporation Ltd<br>Shriro Holdings Ltd<br>HGL Limited |
| **Special responsibilities** | Member of the remuneration and nomination committee |

**Kevin Reid** *FCA, GAICD*
Non-executive director

| | |
|---|---|
| **Experience and expertise** | Kevin Reid is a director and consultant. He is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Graduate of the AICD Company Directors Course. He is a former partner of PwC in Sydney and Adelaide practicing as an assurance and transaction services specialist, with extensive international and domestic exposure to the food retail and manufacturing sector. Kevin occupied many leadership positions in both Sydney and Adelaide. He has capital markets experience working with clients listed on ASX, NASDAQ and London's AIM market. He has a passion for the for-purpose sector, and is currently a director of ACH Group, Can:Do Group and Meals on Wheels SA and recently retired as a director of the Maggie Beer Foundation. Kevin is an advisor and mentor to business leaders. |
| **Other current directorships** | ACH Group Inc.<br>Townsend House Inc.<br>Meals on Wheels SA<br>Royal South Australian Deaf Society Inc. |
| **Former directorships in last 3 years** | AML3D Limited (ASX: AL3)<br>Maggie Beer Foundation Limited |
| **Special responsibilities** | Chair of the audit and risk committee |

## Company Secretary

**Richard Willson** *B.Acc, FCPA, FAICD*

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

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

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

# Directors' report

## Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2022, and the numbers of meetings attended by each Director were:

| | Full meetings of directors | | Meetings of committees: Audit and risk | | Meetings of committees: Remuneration and nomination | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| R N Sexton | 14 | 14 | 5 | 5 | 1 | 1 |
| S Gerlach | 14 | 14 | – | – | – | 1 |
| P Coventry | 8 | 8 | – | – | 1 | 1 |
| N Longstaff | 14 | 14 | 5 | 5 | – | – |
| I McPhee | 8 | 8 | 3 | 3 | – | – |
| J Andrew | 14 | 14 | 4 | 4 | 1 | 1 |
| C Hayman | 12 | 12 | 3 | 3 | 1 | 1 |
| K Reid | 8 | 8 | 3 | 3 | – | – |

**A** = Number of meetings attended

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

## Remuneration Report Audited

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

The Board understands that the first strike outcome reflects sentiment among some shareholders regarding the overall performance of the Company, rather than any particular concern with the Remuneration Report itself. The Board regularly reviews its remuneration policies and structures and remains of the view that they are appropriate for the Company. The Board notes that at the 2021 AGM shareholders approved the Company's plans to implement an employee incentive plan (BFCEIP). The BFCEIP is a further step in ensuring that the Company has appropriate market competitive remuneration structures in place that can attract, motivate and retain individuals of the highest ability to its management team.

## Remuneration report overview

The Directors of Beston Global Foods Company Limited present the Remuneration Report (the Report) for the Group for the year ended 30 June 2022. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001.*

The Report details the remuneration arrangements for the Company's key management personnel (KMP). The KMP of the Company are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company, directly or indirectly. The Company's KMP comprises:

- Non-executive directors (NEDs)
- Senior executives

In previous years the Company operated under an Investment Management Agreement (IMA) that saw the Chief Executive Officer and Chief Financial Officer employed by the Investment Manager. On 28 May 2021, the internalisation of the IMA was approved by shareholders and the IMA formally terminated on 28 August 2021. The Chief Executive Officer and the Chief Financial Officer are now employed by the Company.

The table below outlines the KMP of the Group and their movements during FY22:

| Name | Position | Term as KMP |
|---|---|---|
| **Non-executive directors** | | |
| R N Sexton | Non-executive Chairman | Full financial year |
| S Gerlach | Non-executive Director | Full financial year |
| J Andrew | Independent Non-executive Director | Full financial year |
| N Longstaff | Independent Non-executive Director | Full financial year |
| C Hayman | Independent Non-executive Director | Appointed 5 August 2021 |
| K Reid | Independent Non-executive Director | Appointed 31 January 2022 |
| I McPhee | Independent Non-executive Director | Ceased 31 January 2022 |
| P Coventry | Independent Non-executive Director | Ceased 31 January 2022 |
| **Senior executives** | | |
| F Jorge | Chief Executive Officer | Appointed 1 April 2022 |
| D Flew | Interim Chief Executive Officer | Ceased 30 April 2022 |
| N Wagner | Chief Financial Officer | Appointed 15 February 2022 |
| | Interim Chief Financial Officer | Appointed 29 August 2021 |
| D Isherwood | Chief Manufacturing Officer | Appointed 26 April 2022 |

Due to the operation of the IMA, in prior years the Chief Executive Officer and the Chief Financial Officer were not considered to be KMP for statutory reporting purposes. For the purposes of this report, they have been included in KMP following termination of the IMA from 29 August 2021 and the consequent transfer of their employment to the Company.

Ms Andrew resigned on 19 August 2022, after the reporting date and before the date the financial report was authorised for issue. There were no other changes to KMP in this time.

## Remuneration philosophy

The performance of the Company is significantly influenced by the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled people to undertake these roles.

To this end, the Company adopts the following key principles in its remuneration policy:

- Remuneration is set at levels that will attract and retain good performers and motivate and reward them to continually improve business performance.
- Remuneration is structured to reward the achievement of business targets that are focussed on increasing Shareholder value.
- Variable incentives are structured to ensure an appropriate balance is maintained between achievement of short-term and longer-term business objectives.

## Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee (RNC). It comprises three non-executive directors (NEDs). The RNC recommends director nominees for each annual general meeting and ensures that the audit and risk, remuneration and nomination, and corporate governance committees of the Board have the benefit of qualified and experienced independent directors. The Committee also recommends to the Board the remuneration policies and practices of the Company and reviews and ratifies remuneration of NEDs and senior executives.

## Executive KMP remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities in the Company to:

- reward executives for Company and individual performance against the Company's targets that were approved by the Board;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Following the termination of the IMA, the Board sought and received shareholder approval at the AGM held on 26 November 2021 to implement the BFCEIP referred to earlier in this report. The Board is in the process of implementing the BFCEIP that will apply for the first time for the financial year ending 30 June 2023. A summary of the key terms that will apply under the BFCEIP was provided to shareholders prior to the AGM at which the BFCEIP was approved by shareholders. The BFCEIP is not open to NEDs.

Executives fixed remuneration consists of base salary, superannuation and other non-monetary benefits set at market competitive levels.

As disclosed to the ASX on 31 August 2022, the Board resolved to pay discretionary bonuses in form of shares in the Company to key members of the senior management team in recognition of the transformative work which was delivered in the last quarter of the financial year. The new shares issued are detailed in this report.

For the year ending 30 June 2023 and under the BFCEIP, executive remuneration will include variable incentive components comprising a Short-Term Incentive (STI) and a Long-Term Incentive (LTI). Details of the STI and LTI applicable for next financial year will be advised to shareholders prior to the next AGM.

## Executive contracts

### (i) Management fee

The Group had a formal Investment Management Agreement (IMA) with Beston Pacific Asset Management Pty Ltd (BPAM) as the Investment Manager to outsource key management activities, including the services of the Chief Executive Officer and the Chief Financial Officer, for a fee of 1.20% (exclusive of GST) per annum of the Group's portfolio value. On 28 May 2021, the internalisation of the IMA was approved by shareholders at the EGM. The approval resulted in a termination fee being paid to BPAM consisting of $1.13m in cash and 21,125,000 shares. The share price on 29 May was $0.092 per share, and an expense of $3,073,500 was recognised on that date and included in the 30 June 2021 financial results. The date at which the agreement was settled was 28 August 2021.

Management fees totalling $552,638 were paid for the period from 1 July 2021 to the termination date of the IMA being 28 August 2021 for services rendered to that date. The Chief Executive Officer and Chief Financial Officer remained employed by the Investment Manager until 28 August 2021, along with some other personnel deployed into the Company. Following termination of the IMA the employment of the Chief Executive Officer, Chief Financial Officer and other personnel deployed by the Investment Manager into the Company was transferred to the Company at the same rates of remuneration.

### (ii) Executive employment agreements

All executives are employed on individual open-ended contacts that set out the terms of their employment.

## CEO

Under the terms of his employment contract, as disclosed to the ASX on 4 January 2022:

- The CEO receives fixed remuneration of $514,000 per annum. This total remuneration package (TRP) comprises a base salary of $440,000, superannuation of $44,000 and a rental allowance of $30,000. An increase of 2.5% applied to the base salary of $440,000 from 1 July 2022.
- The CEO is eligible for a short-term incentive (STI) of $100,000 for FY23 payable in cash after 12 months of service. The CEO is eligible for a long-term incentive (LTI) of $100,000 for FY23, payable in BFC shares.

## Directors' report

## CMO

- The CMO receives fixed remuneration of $353,568 per annum. This TRP comprises a base salary of $300,000, superannuation of $23,568 and a rental allowance of $30,000.
- The CMO is eligible for an STI of $75,000 for FY23 to be paid in cash after the first 12 months of service as CMO. The CMO is eligible for an LTI of $75,000 for FY23, payable in BFC shares.

## CFO

- The CFO receives fixed remuneration of $302,500 per annum. This TRP comprises a base salary of $275,000 and superannuation of $27,500.
- The CFO will be eligible for an STI of $68,750 for FY23 payable in cash after the first 12 months of service as CFO. The CFO is eligible for an LTI of $68,750 for FY23, payable in BFC shares.

Payment of STIs and LTIs are subject to the attainment of mutually agreed key performance indicators and profit targets of BFC and will first apply for the year ended 30 June 2023 when the BFCEIP is in place.

## Termination provisions

| | Resignation | Termination for cause | Termination payment |
|---|---|---|---|
| CEO | 3 months | No notice | With cause – nil<br>Without cause – 3 months |
| Other executives notice period (by company or executive) | 3 months | No notice | With cause – nil<br>Without cause – 3 months |

## Termination payments

Mr Flew resigned from his position effective 30 April 2022. Mr Flew received $30,065 in respect of unused annual leave owed to him.

## Non-executive directors' remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain quality Directors, whilst incurring a cost which is acceptable to shareholders. The Board has resolved to provide for non-executive Directors' fees (per annum) of up to a maximum of $350,000 per annum in total. This amount is subject to annual review and has not been increased since the Company was listed in 2016.

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 fee |
|---|---|
| Dr Roger Sexton AM | $60,000 |
| Mr Stephen Gerlach AM | $40,000 |
| Mr Neil Longstaff | $40,000 |
| Ms Cheryl Hayman | $40,000 |
| Mr Kevin Reid | $40,000 |

In addition, Directors will be entitled to statutory superannuation.

NEDs do not receive any additional fees for participation in any committees.

NEDs have long been encouraged by the Board to hold shares in the Company (purchased by the Director on market in accordance with corporate governance rules). It is considered good corporate governance for Directors to have a stake in the Company whose Board he or she sits on.

## Overview of Group performance

### Statutory performance indicators

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Loss for the year attributable to owners of ($'000) | **(21,725.0)** | (21,821.2) | (11,579.2) | (26,975.0) | (12,593.0) |
| Basic earnings per share (cents) | **(2.5)** | (3.4) | (2.5) | (6.1) | (2.8) |
| Share price at year end (cents) | **7.9** | 13.5 | 8.5 | 12.0 | 17.5 |
| Net tangible assets per share (cents) | **5.7** | 11.7 | 15.7 | 13.7 | 23.6 |

# Directors' report

## Remuneration of non-executive directors

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

| | | Short–term benefits | | Post–employment | |
|---|---|---|---|---|---|
| | | Directors fees | Other services | Superannuation benefits | Total |
| Name | Year | $ | $ | $ | $ |
| R N Sexton | **2022** | **60,000** | **–** | **6,000** | **66,000** |
| | 2021 | 60,000 | – | 5,700 | 65,700 |
| S Gerlach | **2022** | **40,000** | **–** | **4,000** | **44,000** |
| | 2021 | 40,000 | – | 3,800 | 44,000 |
| N Longstaff | **2022** | **40,000** | **3,900** | **4,000** | **47,900** |
| | 2021 | 20,000 | 5,200 | 1,900 | 27,100 |
| J Andrew | **2022** | **40,000** | **–** | **4,000** | **44,000** |
| | 2021 | 22,923 | – | 2,178 | 25,101 |
| K Reid | **2022** | **20,000** | **–** | **2,000** | **22,000** |
| | 2021 | – | – | – | – |
| C Hayman | **2022** | **34,102** | **–** | **3,410** | **37,512** |
| | 2021 | – | – | – | – |
| I McPhee | **2022** | **23,333** | **–** | **2,333** | **25,666** |
| | 2021 | 40,000 | – | 3,800 | 43,800 |
| P Coventry | **2022** | **23,333** | **–** | **2,333** | **25,666** |
| | 2021 | 40,000 | – | 3,800 | 43,800 |
| J Kouts | **2022** | **–** | **–** | **–** | **–** |
| | 2021 | 20,000 | – | 1,900 | 21,900 |
| C Cooper | **2022** | **–** | **–** | **–** | **–** |
| | 2021 | 17,282 | – | 1,642 | 18,924 |
| Total NED remuneration | **2022** | **280,768** | **3,900** | **28,076** | **312,744** |
| | 2021 | 260,205 | 5,200 | 24,720 | 290,325 |

Dr Sexton and Mr Gerlach are shareholders and Directors of the Investment Manager that provided services to the Company up to 28 August 2021 at which time the IMA terminated. They may have received remuneration from the Investment Manager for services provided by them to the Investment Manager. As directors, shareholders and employees of the Investment Manager, in their respective capacities, they may have benefited from the entry by the Investment Manager into the IMA with the Company, through payment of fees under the IMA.

The Company believes that the IMA was entered into on arm's length terms, was terminated on arm's length terms and that the remuneration paid to the Investment Manager up to the termination date was reasonable.

## Executive KMP Remuneration

Executive KMP remuneration disclosed in the table below is for the period during which each executive was a KMP. Some executives may have been employed by the Company in other roles before or after the period during which they were undertaking KMP roles.

| | | Short-term benefits | | | Post-employment benefits | Other long-term benefits | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Year** | **Salary $** | **Incentives $** | **Allowances and other $** | **Superannuation contributions $** | **Movement in leave accruals $** | **Total $** | **Performance related %** |
| F Jorge | 2022 | 110,000 | 100,000 | 7,500 | 11,000 | 11,565 | 240,065 | 41.65 |
| N Wagner | 2022 | 178,692 | 68,750 | 24,000 | 20,447 | 14,870 | 306,759 | 22.41 |
| D Flew | 2022 | 230,026 | – | – | 16,940 | – | 246,966 | – |
| D Isherwood | 2022 | 54,615 | 75,000 | 5,462 | 3,928 | 4,568 | 143,573 | 52.23 |
| **Total** | **2022** | **573,333** | **243,750** | **36,962** | **52,315** | **31,003** | **937,363** | **26.00** |

Remuneration for senior executives who became KMP of the Company on termination of the IMA on 28 August 2021 when their employment was transferred to the Company is shown in the table above from the earlier of 29 August 2021 or their commencement date.

## Reconciliation of ordinary shares held by KMP

**Share holdings**

| **2022** | **Balance at the start of the period or date of becoming KMP** | **Acquired during the period** | **Balance at the end of the period or date ceasing to be KMP** |
|---|---|---|---|
| **Current KMP** | | | |
| R N Sexton | 21,872,630 | 19,732,658 | 41,605,288 |
| S Gerlach | 5,034,587 | 18,704,487 | 23,739,074 |
| J Andrew | – | – | – |
| N Longstaff | 103,704 | 357,142 | 460,846 |
| C Hayman | – | 500,000 | 500,000 |
| K Reid | – | – | – |
| F Jorge | – | 43,200 | 43,200 |
| N Wagner | 52,890 | – | 52,890 |
| D Isherwood | – | 217,392 | 217,392 |
| **Total** | **27,063,811** | **39,554,879** | **66,618,690** |
| **Former KMP** | | | |
| P Coventry | 57,142 | – | 57,142 |
| I McPhee | 1,750,000 | – | 1,750,000 |
| D Flew | 481,528 | – | 481,528 |
| **Total** | **2,288,670** | **–** | **2,288,670** |

On 2 September 2022, the following new shares were issued to KMP at a fair value of 9.65c per share.

| | |
|---|---|
| F Jorge | 1,036,270 shares |
| N Wagner | 712,435 shares |
| D Isherwood | 777,200 shares |

The Company has not issued any options or rights to acquire shares.

# Directors' report



## Loans to key management personnel

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

## Other transactions with key management personnel

There were no other transactions with KMP of 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.

## Insurance of officers and indemnities

### (a) Insurance of officers

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

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

### (b) Indemnity of auditor

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

## Proceedings on behalf of the company

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

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

## Non-audit services

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

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Fees for non-audit services: | | |
| Tax compliance services | 39 | 68 |
| Blockchain services | 101 | – |
| **Total remuneration for non-audit services** | **140** | **68** |

## Rounding of amounts

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

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

**R N Sexton**
Chairman
Adelaide

30 September 2022

# Auditor's Independence Declaration

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of the financial report of Beston Global Food Company Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

BJ Pollock
Partner

Melbourne
30 September 2022

# Financial report

for the year ended 30 June 2022



BESTON
GLOBAL FOOD COMPANY

**Beston Global Food Company Limited**
ABN 28 603 023 383

# Annual financial report

for the year ended 30 June 2022

**Financial statements**



These financial statements are the consolidated financial statements for the Group consisting of Beston Global Food Company Limited and its subsidiaries. A list of subsidiaries is included in note 12.

The financial statements are presented in the Australian currency.

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

**Its registered office is:**

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

**Its principal place of business is:**

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations on page 3 and in the directors report on page 7, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on the 30 September 2022. The Directors have the power to amend and reissue the financial statements.

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

# Consolidated statement of comprehensive income

## For the year ended 30 June 2022

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Sale of goods | 2 | 139,706 | 112,420 |
| Other revenue | 2 | 48 | 48 |
| | | **139,754** | **112,468** |
| Other income | 3(a) | 113 | 826 |
| Expenses | | | |
| Cost of sales of goods | 3(b) | (129,131) | (110,641) |
| Other expenses from ordinary activities | | | |
| Operating overheads | 3(b) | (16,520) | (12,218) |
| Selling and distribution | 3(b) | (4,365) | (3,766) |
| Corporate overheads and business support | 3(b) | (12,360) | (10,593) |
| Other expenses from ordinary activities | 3(b) | – | (91) |
| Loss from operations | | **(22,509)** | **(24,015)** |
| Finance income | 3(c) | 11 | 4 |
| Finance expenses | 3(c) | (1,209) | (690) |
| Net finance expense | | **(1,198)** | **(686)** |
| Impairment of non-financial assets | 6(b) | (2,000) | (1,485) |
| Internalisation of IMA | | – | (3,074) |
| **Loss before income tax** | | **(25,707)** | **(29,260)** |
| Income tax benefit | 4 | 3,981 | 7,389 |
| **Loss for the period** | | **(21,726)** | **(21,871)** |
| *Item that may be reclassified to the profit or loss* | | | |
| Exchange differences on translation of foreign operations | 8(b) | (21) | (63) |
| *Items that will not be reclassified to the profit or loss* | | | |
| Changes in the fair value of equity instruments at FVOCI | 8(b) | – | 600 |
| **Other comprehensive gain/(loss) for the period, net of tax** | | **(21)** | **537** |
| **Total comprehensive loss or the period** | | **(21,747)** | **(21,334)** |
| Loss is attributable to: | | | |
| Owners of Beston Global Food Company Limited | | (21,725) | (21,821) |
| Non-controlling interests | | (1) | (50) |
| | | **(21,726)** | **(21,871)** |
| Total comprehensive loss for the period is attributable to: | | | |
| Owners of Beston Global Food Company Limited | | (21,746) | (21,284) |
| Non-controlling interests | | (1) | (50) |
| | | **(21,747)** | **(21,334)** |
| Loss per share attributable to the ordinary equity holders | | | |
| Basic (loss) per share | 18(a) | (2.53) | (3.38) |
| Diluted (loss) per share | 18(b) | (2.53) | (3.38) |

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

# Consolidated balance sheet

## As at 30 June 2022

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalent | 5(a) | 322 | 922 |
| Trade and other receivables | 5(b) | 16,660 | 16,731 |
| Prepayments | 5(c) | 2,209 | 2,021 |
| Inventories | 6(c) | 18,117 | 18,874 |
| Investments | 12(c) | – | 1,200 |
| | | **37,308** | **39,748** |
| **Non current assets** | | | |
| Receivables | 5(b) | 150 | 150 |
| Right-of-use assets | 5(d) | 21 | 155 |
| Property, plant and equipment | 6(a) | 57,192 | 55,543 |
| Deferred tax assets | 6(d) | 31,801 | 27,506 |
| Intangible assets | 6(b) | 5,071 | 7,081 |
| | | **94,235** | **90,435** |
| **Total assets** | | **131,543** | **130,183** |
| **Current liabilities** | | | |
| Trade and other payables | 5(e) | 17,896 | 18,439 |
| Financial liabilities | 5(f) | 24,292 | 1,529 |
| Employee benefit obligations | 6(e) | 1,256 | 789 |
| | | **43,444** | **20,757** |
| **Non-current liabilities** | | | |
| Financial liabilities | 5(f) | 31,762 | 31,709 |
| Employee benefit obligations | 6(e) | 184 | 110 |
| Deferred tax liabilities | 6(d) | 2,006 | 1,713 |
| | | **33,952** | **33,532** |
| **Total liabilities** | | **77,396** | **54,289** |
| **Net assets** | | **54,147** | **75,894** |
| Contributed equity | 8(a) | 176,580 | 174,636 |
| Other reserves | 8(b) | (8,376) | (6,411) |
| Accumulated losses | 8(c) | (113,258) | (91,533) |
| | | **54,946** | **76,692** |
| Non-controlling interests | 12(b) | (799) | (798) |
| **Total equity** | | **54,147** | **75,894** |

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

# Consolidated statement of changes in equity

## For the year ended 30 June 2022

| | | Attributable to the owners of Beston Global Food Company Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Share capital $'000 | Other reserves $'000 | Accum losses $'000 | Total $'000 | NCI $'000 | Total equity $'000 |
| **Balance at 1 July 2020** | | **159,337** | **(8,892)** | **(69,712)** | **80,733** | **(748)** | **79,985** |
| Profit/(loss) for the period | | – | – | (21,821) | (21,821) | (50) | (21,871) |
| Other Comprehensive Income | 8(b) | – | 537 | – | 537 | – | 537 |
| Total Comprehensive income for the period | | – | 537 | (21,821) | (21,284) | (50) | (21,334) |
| Issue of share capital | 8(a), (b) | 15,299 | 1,944 | – | 17,243 | – | 17,243 |
| **As at 30 June 2021** | | **174,636** | **(6,411)** | **(91,533)** | **76,692** | **(798)** | **75,894** |
| **Balance at 1 July 2021** | | **174,636** | **(6,411)** | **(91,533)** | **76,692** | **(798)** | **75,894** |
| Profit/(loss) for the period | | – | – | (21,725) | (21,725) | (1) | (21,726) |
| Other Comprehensive Income | 8(b) | – | (21) | – | (21) | – | (21) |
| Total Comprehensive income for the period | | – | (21) | (21,725) | (21,746) | (1) | (21,747) |
| Issue of share capital | 8(a), (b) | 1,944 | (1,944) | – | – | – | – |
| **As at 30 June 2022** | | **176,580** | **(8,376)** | **(113,258)** | **54,946** | **(799)** | **54,147** |

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

# Consolidated statement of cash flows

## For the year ended 30 June 2022

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 139,143 | 107,389 |
| Payments to suppliers and employees | | (157,756) | (138,042) |
| Interest received | | – | 4 |
| Interest paid | | (1,209) | (622) |
| **Net cash (outflows) from operating activities** | 9(a) | **(19,822)** | **(31,271)** |
| **Cash flows from investing activities** | | | |
| Payments for PP&E | 6(a) | (5,202) | (16,244) |
| Payments for intangibles | 6(b) | (616) | (315) |
| Proceeds on disposal of NBI | | 1,200 | – |
| Proceeds on disposal of Dairy Farms (net of costs) | | – | 39,004 |
| Proceeds on disposal of livestock | | – | 280 |
| **Net cash inflows/(outflows) from investing activities** | | **(4,618)** | **22,725** |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares | | – | 15,299 |
| Proceeds from borrowings | | 23,060 | 4,105 |
| Repayment of borrowings | | (244) | (20,517) |
| Payment of lease liabilities | | 134 | 156 |
| Proceeds from government grants | | 900 | – |
| **Cash inflows/(outflows) from financing activities** | | **23,850** | **(957)** |
| **Net (decrease) in cash and cash equivalents** | | **(590)** | **(9,503)** |
| Cash and cash equivalents at the beginning of the period | | 922 | 10,556 |
| Net foreign exchange differences | | (10) | (131) |
| **Cash and cash equivalents at the end of period** | 5(a) | **322** | **922** |

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

# Contents of the notes to the consolidated financial statements

## 1 Segment results

### (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 production plants and uses milk to produce cheese and other dairy products.
- The Australian Meat segment is focused on the 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 function provides business support to the operating segments.

### (b) Segment results

The segment information for the year ended 30 June 2022 and the year ended 30 June 2021 provided to the executive management committee for the reportable segments, including segment assets and liabilities, are as follows:

| 2022 | Australian Dairy $'000 | Australian Meat $'000 | Australian Other $'000 | International Other $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Contracts with domestic customers | 99,671 | 12,782 | 153 | – | – | 112,606 |
| Contracts with international customers | 27,100 | – | – | – | – | 27,100 |
| Other revenue | 37 | – | 11 | – | – | 48 |
| Other income | 121 | – | 23 | – | 50 | 194 |
| Finance income | – | – | 11 | – | – | 11 |
| **Total revenue** | **126,929** | **12,782** | **198** | **–** | **50** | **139,959** |
| Expenses | | | | | | |
| Cost of Sales | (117,287) | (11,749) | (94) | – | – | (129,130) |
| Other operating costs | (14,118) | (1,870) | (300) | – | (420) | (16,708) |
| Selling and distribution | (4,216) | (121) | (28) | – | – | (4,365) |
| Business support | (5,207) | (1,441) | (52) | (523) | (5,031) | (12,173) |
| Finance costs | – | – | – | – | (1,209) | (1,209) |
| Impairment expense | – | (2,000) | – | – | – | (2,000) |
| Corporate allocation | (2,173) | (226) | (5) | (2) | 2,406 | – |
| **Total expenses** | **(143,001)** | **(17,407)** | **(479)** | **(525)** | **(4,254)** | **(165,666)** |
| **Operating result before tax** | **(16,072)** | **(4,625)** | **(281)** | **(525)** | **(4,204)** | **(25,707)** |
| Attributable to owners of Beston | (16,072) | (4,625) | (281) | (525) | (4,204) | (25,707) |
| Attributable to NCI | – | – | (1) | – | – | (1) |
| Total segment assets | 80,213 | 9,735 | 2,166 | 150 | 39,281 | 131,545 |
| Capital expenditure | 4,950 | 219 | 2 | – | – | 5,171 |
| Total segment liabilities | (65,898) | (5,065) | (422) | (32) | (5,979) | (77,396) |

### (b) Segment results (continued)

| 2021 | Australian Dairy $'000 | Australian Meat $'000 | Australian Other $'000 | International Other $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Contracts with domestic customers | 81,551 | 10,080 | 131 | – | – | 91,762 |
| Contracts with international customers | 20,658 | – | – | – | – | 20,658 |
| Other revenue | 37 | – | 11 | – | – | 48 |
| Other income | 226 | – | – | – | 600 | 826 |
| Finance income | – | – | – | – | 4 | 4 |
| **Total revenue** | **102,472** | **10,080** | **142** | **–** | **604** | **113,298** |
| Expenses | | | | | | |
| Cost of Sales | (101,294) | (9,246) | (101) | – | – | (110,641) |
| Other operating costs | (10,107) | (1,717) | (394) | – | – | (12,218) |
| Selling and distribution | (3,664) | (78) | (24) | – | – | (3,766) |
| Business support | (3,765) | (1,030) | (41) | (228) | (5,529) | (10,593) |
| Impairment expense | (91) | – | – | – | – | (91) |
| Internalisation of IMA | – | – | – | – | (690) | (690) |
| Finance costs | – | (1,485) | – | – | – | (1,485) |
| Impairment expense | – | – | – | – | (3,074) | (3,074) |
| Corporate allocation | (6,413) | (641) | (20) | (6) | 7,080 | – |
| **Total expenses** | **(125,334)** | **(14,197)** | **(580)** | **(234)** | **(2,213)** | **(142,558)** |
| **Operating result before tax** | **(22,862)** | **(4,117)** | **(438)** | **(234)** | **(1,609)** | **(29,260)** |
| Attributable to owners of Beston | (22,862) | (4,117) | (438) | (234) | (1,609) | (29,260) |
| Attributable to NCI | – | – | (50) | – | – | (50) |
| Total segment assets | 78,993 | 12,472 | 1,831 | 261 | 36,626 | 130,183 |
| Capital expenditure | 15,100 | 905 | 138 | – | 101 | 16,244 |
| Total segment liabilities | (42,493) | (4,741) | (456) | 59 | (6,658) | (54,289) |

## 2 Revenue

The Group derives the following types of revenue:

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Contracts with customers | 139,706 | 112,420 |
| Leasing income | 48 | 48 |
| **Total revenue** | **139,754** | **112,468** |

### (a) Recognising revenue from major business activities

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

*(i) Sale of goods*

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

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

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

### (b) Disaggregation of revenue from contracts with customers

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

| Sale of goods | 30 June $'000 Dairy | 30 June $'000 Meat | 30 June $'000 Other | 30 June $'000 Total |
|---|---|---|---|---|
| **2022** | | | | |
| Australia | 99,671 | 12,782 | 153 | **112,606** |
| Asia | 22,169 | – | – | **22,169** |
| Europe | 2,001 | – | – | **2,001** |
| North America | 2,930 | – | – | **2,930** |
| **Total** | **126,771** | **12,782** | **153** | **139,706** |
| **2021** | | | | |
| Australia | 81,551 | 10,080 | 131 | **91,762** |
| Asia | 17,127 | – | – | **17,127** |
| Europe | 1,637 | – | – | **1,637** |
| North America | 1,894 | – | – | **1,894** |
| **Total** | **102,209** | **10,080** | **131** | **112,420** |

## 3 Other income and expense items

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **(a) Other income** | | | |
| Reversal of prior year impairment of financial assets | | – | 600 |
| Other items | | 99 | 33 |
| Government grants | | 14 | 193 |
| | | **113** | **826** |
| **(b) Break down of expenses by nature** | | | |
| Changes in inventories of finished goods and work in progress | | (15,500) | (10,267) |
| Raw materials and consumables used | | 122,797 | 104,068 |
| Employee benefits expense | | 21,185 | 15,542 |
| Depreciation and amortisation | 5(c),6(a),(b) | 4,313 | 3,001 |
| Impairment of non-financial assets | 6(b),7 | 2,000 | 1,485 |
| Internalisation of Management Agreement | | – | 3,074 |
| Management fee | | 553 | 1,445 |
| Other expenses | | 4,912 | 3,724 |
| Net loss on disposal of assets | | – | 91 |
| Consultancy expenses | | 1,879 | 1,980 |
| Short-term & low value lease expense | | 562 | 467 |
| Rates and taxes | | 4,274 | 3,686 |
| Repairs and maintenance | | 3,743 | 2,219 |
| Insurance expenses | | 3,012 | 2,578 |
| Logistics and marketing expenses | | 10,645 | 8,775 |
| | | **164,375** | **141,868** |
| **(c) Finance income and costs** | | | |
| Interest income | | – | 4 |
| Net exchange gains | | 11 | – |
| Finance income | | 11 | 4 |
| Finance charges paid for financial liabilities | | (1,209) | (622) |
| Net exchange losses | 10(a)(i) | – | (68) |
| Finance costs | | (1,209) | (690) |
| Net finance costs | | **(1,198)** | **(686)** |

## 4 Income tax benefit

### (a) Income tax benefit

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| *Current tax* | | | |
| Current tax | | – | – |
| Total current tax expense | | – | – |
| | | | |
| *Deferred income tax* | | | |
| (Increase) in deferred tax assets | 6(d) | (4,295) | (8,053) |
| Increase in deferred tax liabilities | 6(e) | 293 | 668 |
| Other adjustment | | 21 | (4) |
| Total deferred tax expense | | **(3,981)** | **(7,389)** |
| | | | |
| Income tax (benefit) | | **(3,981)** | **(7,389)** |

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

| | | |
|---|---|---|
| Loss from continuing operations before income tax | (25,707) | (29,260) |
| Tax at the Australian tax rate of 30.0% (2021 - 30.0%) | (7,712) | (8,778) |
| | | |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| | | |
| IMA Internalisation expense | – | 922 |
| Impairment of Provincial Food Group | 600 | 446 |
| Entertainment | – | 5 |
| Reversal of NBI asset impairment | – | (180) |
| Derecognition of foreign tax losses | (233) | 211 |
| Unrecognised DTA on tax losses | 3,264 | – |
| Sundry items | 100 | (15) |
| Income tax benefit | **(3,981)** | **(7,389)** |

### (c) Tax losses

| | | |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 24,831 | 20,067 |
| Potential tax benefit @ 30.0% | **7,449** | **6,020** |

## 5 Financial assets and financial liabilities

### (a) Cash and cash equivalents

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Cash at bank and in hand | 322 | 922 |

### (b) Trade and other receivables

| | 30 June 2022 | | | 30 June 2021 | | |
|---|---|---|---|---|---|---|
| | Current $'000 | Non-current $'000 | Total $'000 | Current $'000 | Non-current $'000 | Total $'000 |
| Trade receivables | 14,270 | – | 14,270 | 14,184 | – | 14,184 |
| Provision for impairment | (143) | – | (143) | (254) | – | (254) |
| | **14,127** | **–** | **14,127** | **13,930** | **–** | **13,930** |
| Other receivables | 883 | 150 | 1,033 | 1,095 | 150 | 1,245 |
| Goods and services tax (GST) receivable | 1,650 | – | 1,650 | 1,706 | – | 1,706 |
| | **16,660** | **150** | **16,810** | **16,731** | **150** | **16,881** |

#### *(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 20(m)(iii) and 20(k) 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 10.

### (c) Prepayments

| | 30 June 2022 | | 30 June 2021 | |
|---|---|---|---|---|
| | Current $'000 | Total $'000 | Current $'000 | Total $'000 |
| Prepayments | 2,209 | 2,209 | 2,021 | 2,021 |

### (d) Leases

*Group as a Lessee*

The group entered into a lease contract for the property used for its head office on 30 June 2020.

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

| | Property $'000 | Total $'000 |
|---|---|---|
| **As at 1 July 2020** | 311 | 311 |
| Additions | – | – |
| Depreciation Expense | 156 | 156 |
| As at 30 June 2021 | **155** | **155** |
| **As at 1 July 2021** | 155 | 155 |
| Additions | – | – |
| Depreciation Expense | 134 | 134 |
| As at 30 June 2022 | **21** | **21** |

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Depreciation of right-of-use assets | 134 | 156 |
| Interest expense on lease liabilities | – | – |
| | **134** | **156** |

### (e) Trade and other payables

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current liabilities | | |
| Trade payables | 15,599 | 15,035 |
| Goods and service tax (GST) payable | 536 | 585 |
| Accrued expenses | 763 | 831 |
| Payroll liabilities | 610 | 588 |
| Other creditors | 388 | 1,400 |
| | **17,896** | **18,439** |

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

#### *(i) Fair value of trade and other payables*

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

## 5 Financial assets and financial liabilities (continued)

### (f) Financial assets and financial liabilities

| Financial liabilities | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current financial liabilities: loans and borrowings | 15,988 | 1,270 |
| Current financial liabilities: other | 8,305 | 259 |
| Current financial liabilities | **24,292** | **1,529** |
| | | |
| Non-current financial liabilities: loans and borrowings | 31,762 | 31,668 |
| Non-current financial liabilities: other | – | 41 |
| Non-current financial liabilities | **31,762** | **31,709** |

| Financial liabilities: loans and borrowings | Notes | Interest rate | Maturity | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Overdraft | | 7.22% | | 2,990 | – |
| Hire purchase facility | | 3.56% | December 2025 | 101 | 95 |
| Hire purchase facility | | 3.62% | September 2029 | 957 | 436 |
| Hire purchase facility | | 4.22% | December 2024 | 321 | 321 |
| Term loan | | BBSY + 2.50% | August 2023 | 11,200 | – |
| Property mortgage | | BBSY + 2.50% | November 2024 | 419 | 418 |
| | | | | **15,988** | **1,270** |
| **Non-current** | | | | | |
| Hire purchase facility | | 3.56% | December 2025 | 252 | – |
| Hire purchase facility | | 3.62% | September 2029 | 3,742 | 4,136 |
| Hire purchase facility | | 4.22% | December 2024 | 312 | – |
| Term loan | | BBSY + 2.50% | August 2023 | 23,300 | 23,000 |
| Term loan | | BBSY + 2.50% | November 2024 | 1,996 | 1,953 |
| Property mortgage | | BBSY + 2.50% | November 2024 | 2,160 | 2,579 |
| | | | | **31,762** | **31,668** |
| **Total financial liabilities: loans and borrowings** | | | | **47,749** | **32,938** |
| | | | | | |
| **Financial liabilities: other** | | | | | |
| **Current** | | | | | |
| Office lease liability | | 9.23% | August 2022 | 41 | 245 |
| Insurance premium funding | | 1.79% | October 2022 | 805 | 14 |
| Deposits on sale of trade debtors | | 4.24% | November 2022 | 7,459 | – |
| | | | | **8,305** | **259** |
| | | | | | |
| Non-current | | | | | |
| Office lease liability | | 9.23% | August 2022 | – | 41 |
| | | | | **–** | **41** |
| **Total financial liabilities: other** | | | | **8,305** | **300** |

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

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Securitisations** | | | |
| Carrying amount of transferred assets | 6(b) | 7,459 | – |
| Carrying amount of associated liabilities | 6(d) | 7,459 | – |
| Net position | | – | – |

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

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

## 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 2020 | | | | | | |
| Cost | 10,353 | 83 | 35,080 | 374 | 677 | 46,567 |
| Accumulated depreciation | – | (6) | (4,433) | (257) | (110) | (4,806) |
| **Net book amount** | **10,353** | **77** | **30,647** | **117** | **567** | **41,761** |
| Year ended 30 June 2021 | | | | | | |
| Opening net book amount | 10,353 | 77 | 30,647 | 117 | 567 | 41,761 |
| Additions | – | 37 | 15,901 | 259 | 47 | 16,244 |
| Depreciation charge | – | (7) | (2,318) | (49) | (88) | (2,462) |
| **Closing net book amount** | **10,353** | **107** | **44,230** | **327** | **526** | **55,543** |
| At 30 June 2021 | | | | | | |
| Cost | 10,353 | 120 | 50,981 | 633 | 724 | 62,811 |
| Accumulated depreciation | – | (13) | (6,751) | (306) | (198) | (7,268) |
| **Net book amount** | **10,353** | **107** | **44,230** | **327** | **526** | **55,543** |
| At 1 July 2021 | | | | | | |
| Cost | 10,353 | 120 | 50,981 | 633 | 724 | 62,811 |
| Accumulated depreciation | – | (13) | (6,751) | (306) | (198) | (7,268) |
| **Net book amount** | **10,353** | **107** | **44,230** | **327** | **526** | **55,543** |
| Year ended 30 June 2022 | | | | | | |
| Opening net book amount | 10,353 | 107 | 44,230 | 327 | 526 | 55,543 |
| Additions | – | 52 | 5,027 | 124 | – | 5,202 |
| Depreciation charge | – | (12) | (3,392) | (62) | (88) | (3,553) |
| **Closing net book amount** | **10,353** | **147** | **45,865** | **389** | **438** | **57,192** |
| At 30 June 2022 | | | | | | |
| Cost | 10,353 | 171 | 56,007 | 757 | 724 | 68,013 |
| Accumulated depreciation | – | (25) | (10,143) | (368) | (286) | (10,821) |
| **Net book amount** | **10,353** | **147** | **45,865** | **389** | **438** | **57,192** |

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

## 6 Non-financial assets and liabilities (continued)

### (a) Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost amount, net of their residual values, less impairment, 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 20(p) for the other accounting policies relevant to property,

### (b) Intangible assets

| | Goodwill $'000 | Internally generated software* $'000 | Customer contracts $'000 | Water licences $'000 | Trademarks and patents $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **At 1 July 2020** | | | | | | |
| Cost or fair value | 7,404 | 1,304 | 1,758 | 205 | – | 10,671 |
| Accumulated amortisation | – | (805) | (1,232) | – | – | (2,037) |
| **Net book amount** | **7,404** | **499** | **526** | **205** | **–** | **8,634** |
| Year ended 30 June 2021 | | | | | | |
| Opening net book amount | 7,404 | 499 | 526 | 205 | – | 8,634 |
| Additions | – | 315 | – | – | – | 315 |
| Disposals | – | – | – | – | – | – |
| Assets classified as held for sale and other disposals | – | – | – | – | – | – |
| Impairment charge | (1,485) | – | – | – | – | (1,485) |
| Amortisation charge | – | (167) | (216) | – | – | (383) |
| **Closing net book amount** | **5,919** | **647** | **310** | **205** | **–** | **7,081** |
| At 30 June 2021 | | | | | | |
| Cost or fair value | 5,919 | 1,619 | 1,758 | 205 | – | 9,501 |
| Accumulated amortisation | – | (972) | (1,448) | – | – | (2,420) |
| **Net book amount** | **5,919** | **647** | **310** | **205** | **–** | **7,081** |
| **At 1 July 2021** | | | | | | |
| Cost or fair value | 5,919 | 1,619 | 1,758 | 205 | – | 9,501 |
| Accumulated amortisation | – | (972) | (1,448) | – | – | (2,420) |
| **Net book amount** | **5,919** | **647** | **310** | **205** | **–** | **7,081** |
| Year ended 30 June 2022 | | | | | | |
| Opening net book amount | 5,919 | 647 | 310 | 205 | – | 7,081 |
| Additions | – | 458 | – | – | 158 | 616 |
| Disposals | – | – | – | – | – | – |
| Impairment charge | (2,000) | – | – | – | – | (2,000) |
| Amortisation charge | – | (337) | (289) | – | – | (626) |
| **Closing net book amount** | **3,919** | **769** | **21** | **205** | **158** | **5,071** |
| At 30 June 2022 | | | | | | |
| Cost or fair value | 3,919 | 2,077 | 1,758 | 205 | – | 8,117 |
| Accumulated amortisation | – | (1,309) | (1,737) | – | – | (3,046) |
| **Net book amount** | **3,919** | **768** | **21** | **205** | **158** | **5,071** |

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

plant and equipment.

### (i) Amortisation methods and useful lives

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

The Group has the right to use water over an indefinite period and therefore the water licences are considered to have an indefinite useful life.

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

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

Goodwill and other indefinite life intangibles have been tested for impairment. Based on valuations undertaken of the Dairy CGU to which the goodwill relates, goodwill relating to the meat segment was impaired by $2,000,000. Refer to note 7 for further discussion relating to impairment assessments.

## (c) Inventories

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current assets | | |
| Raw material and stores | 2,799 | 3,284 |
| Finished goods | 15,318 | 15,590 |
| | **18,117** | **18,874** |

### *(i) Assigning costs to inventories*

The costs of individual items of inventory are determined using weighted average costs. See note 20(l) 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 2022 amounted to $119,799,308 - (2021 - $93,801,343). There were write-downs of inventories during the year of $381,475 (2021 - $1,010,460).

## (d) Deferred tax balances

### *(i) Deferred tax assets*

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Tax losses and offsets | 30,944 | 26,854 |
| Employee benefits | 493 | 267 |
| Accruals | 56 | 46 |
| Tax only assets | 167 | 254 |
| Intangibles | 269 | 237 |
| Other | (128) | (152) |
| Total deferred tax assets | **31,801** | **27,506** |

#### Significant estimates

As at 30 June 2022, the Group has deferred tax assets totalling $31.8m (2021 - $27.5m), mostly comprising of carried forward tax losses. The Group's detailed financial model, referred to in Note 20(a)(v), indicates that it is probable that the Group will generate sufficient future taxable profit against which the tax losses can be utilised within a 5-year period. The losses can be carried forward indefinitely and have no expiry date.

### *(ii) Deferred tax liabilities*

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Property, plant and equipment | 1,971 | 1,677 |
| Other | 36 | 36 |
| | **2,006** | **1,713** |

### *(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 (continued)

### (d) Deferred tax balances (continued)

*(iii) Tax consolidation (continued)*

*Nature of the tax funding agreement (continued)*

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.

### (e) Employee benefit obligations

| | 30 June 2022 | | | 30 June 2021 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Leave obligations (i) | 1,256 | 184 | 1,440 | 789 | 110 | 899 |

#### *(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 $1,255,869 (2021 - $789,770) 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 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current leave obligations expected to be settled after 12 months | 310 | 195 |

## 7 Impairment

### (a) Management analysis

The Group performed its annual impairment test in June 2021 and 2022. The Group considered the relationship between its market capitalisation and book value, among other factors, when reviewing for indicators of impairment. At 30 June 2022, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of assets.

Goodwill which has been acquired through business combinations, and intangible assets with indefinite lives, are related to the Australian Dairy and Australian Meat operating and reporting segments, which are CGUs for the purposes of impairment testing. These assets have been tested for potential impairment using assumptions relevant for each of the CGU's. 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 CGUs, and is derived from the Group's weighted average cost of capital (WACC).

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

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

#### *(i) Australian Dairy CGU*

The recoverable amount of the Australian Dairy CGU, $90.1 million as at 30 June 2022 (2021 - $129.0 million), has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts covering a five year period, with input from an independent valuation specialist, and approved by senior management. The impacts of COVID-19 on future cash flows was considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Dairy CGU is $1,092,067, and the carrying value of indefinite life intangible assets allocated to the Australian Dairy CGU is $79,662.

Key assumptions which impact the recoverable amount of the Australian Dairy CGU are detailed in note 7(b) overleaf.

Management have determined that a reasonable possible change in the key assumptions of the fair value less costs of disposal 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, $10.4 million as at 30 June 2022, has been determined based on a fair value less cost to sell calculation using cash flow projections from financial budgets and forecasts covering a five year period, with input from an independent valuation specialist, and approved by senior management. The impacts of COVID-19 on future cash flows was considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Meat CGU is $4,828,442, 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 are detailed below in note 7(c).

Management have determined that a reasonable possible change in the key assumptions of the fair value less cost of disposal calculation would cause the carrying amount to exceed the recoverable amount of the Australian Meat CGU. As a result of this analysis management have determined a $2m impairment in Goodwill for this CGU.

### (b) Key assumptions – Dairy

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

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

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

*(i) Discount rates*

The pre-tax discount rate applied to the cash flow projections is 13% and the cash flows beyond the five-year period are extrapolated using a 2.5% growth rate that is the same as the long-term average growth rate.

An increase of the pre-tax discount rate to 15.5% (i.e. +1.5%) in the Dairy CGU would result is a decrease in the recoverable amount of $24.4 million. This decrease would not result in impairment.

*(ii) Milk supply prices*

An increase of the milk supply prices by 5.0% in the Dairy CGU would result is a decrease in the recoverable amount of $80.4m million. This decrease would not result in impairment.

*(iii) Milk supply volume*

A decrease of the milk supply volumes by 5.0% in the Dairy CGU would result in a decrease in the recoverable amount of $58.9 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 $14.2 million. This decrease would not result in impairment.

### (c) Key assumptions - Australian Meat

The calculation of fair value of the Australian Meat CGU 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 13% 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 exceed the value in use, and an impairment of the Meat CGU goodwill balance was recognised per 7(a)(ii).

An increase of the pre-tax discount rate to 15.5% (i.e. +1.5%) in the Australian Meat CGU would result is a decrease in the recoverable amount of $1.4 million. This decrease would result in additional impairment of $1.56 million.

*(ii) Gross margin*

A decrease of the gross margin by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $3.7 million. This decrease would result in additional impairment of $4.1 million.

*(iii) Real sales growth*

A decrease in the real growth rate achieved by 2.5% in the Australian Meat CGU would result is a decrease in the recoverable amount of $2.8 million. This decrease would result in additional impairment of $3.3 million.

## 8 Equity

### (a) Contributed equity

| | 30 June 2022 Shares | 30 June 2021 Shares | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|---|
| Ordinary shares - fully paid | 863,799,408 | 842,674,408 | 176,580 | 174,636 |

#### (i) *Movements in ordinary share capital*

| | Number of shares | $'000 |
|---|---|---|
| **Balance 30 June 2021** | **842,674,408** | **174,635,752** |
| Opening balance 1 July 2021 | 842,674,408 | 174,635,752 |
| Placement of shares | 21,125,000 | 1,943,500 |
| **Balance 30 June 2022** | **863,799,408** | **176,579,252** |

#### (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.

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| Financial assets at FVOCI | | (7,793) | (7,793) |
| Unallocated shares | | – | – |
| Share based payments | | – | 1,944 |
| Foreign currency translation | | (583) | (562) |
| | | **(8,376)** | **(6,411)** |
| *Financial assets at FVOCI* | | | |
| Opening balance | | (7,793) | (8,393) |
| Reversal of impairment | 12(c) | – | 600 |
| Balance 30 June | | **(7,793)** | **(7,793)** |
| *Share-based payment reserve* | | | |
| Opening balance | | 1,944 | – |
| Placement of shares | | (1,944) | – |
| Internalisation of IMA | | – | 1,944 |
| Balance 30 June | | **–** | **1,944** |
| *Foreign currency translation* | | | |
| Opening balance | | (562) | (499) |
| Currency translation differences arising during the year | | (21) | (63) |
| Balance 30 June | | **(583)** | **(562)** |

#### (i) *Nature and purpose of other reserves*

***Financial assets at FVOCI***

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

***Share-based payment reserve***

The share-based payment reserve is used to recognise shares required to be issued on August 28th 2021 for the purpose of internalising the Investment Management Agreement with BPAM. This represents the fair value of the shares at the date that the internalisation received shareholder approval, being May 28th 2021.

***Foreign currency translation***

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 20(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 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Opening balance | (91,533) | (69,712) |
| Net loss for the period attributable to equity holders of the parent | (21,725) | (21,821) |
| Balance 30 June | **(113,258)** | **(91,533)** |

## 9 Cash flow information

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

| | Notes | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Profit/(loss) after tax** | | **(21,726)** | **(21,871)** |
| ***Non-cash adjustments:*** | | | |
| Depreciation & amortisation expense | 3(b) | 4,313 | 3,001 |
| Reversal of impairment of financial asset | 12(c) | – | (600) |
| Impairment of non-financial assets | 6(b) | 2,000 | 1,485 |
| Internalisation of IMA | | | 3,074 |
| Bad debts written off | | 758 | 27 |
| Foreign exchange loss | | (11) | 68 |
| Inventory write-off | 6(c)(ii) | 382 | 1,010 |
| Grant income | | – | (193) |
| ***Non-operating activities:*** | | | |
| (Gain)/loss on disposal of fixed assets | | – | 91 |
| Loss on disposal of livestock | | – | 54 |
| ***Change in:*** | | | |
| (Increase) in trade and other receivables | | (890) | (5,493) |
| (Increase)/decrease in inventories | | 375 | (8,262) |
| (Increase) in deferred tax assets | | (4,295) | (8,053) |
| Increase/(decrease) in trade payables | | (1,584) | 3,761 |
| Increase in deferred tax liabilities | | 293 | 668 |
| Increase/(decrease) in other provisions | | 563 | (38) |
| **Net cash outflow from operating activities** | | **(19,822)** | **(31,271)** |

## 10 Financial risk management

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

### (a) Market risk

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

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

Foreign exchange contracts are utilised as a short-term tool to mitigate some foreign exchange risk. These open contracts as at 30 June 2022 are immaterial in nature.

*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 2022 | 30 June 2021 | |
|---|---|---|---|
| | CNY $'000 | USD $'000 | CNY $'000 |
| Trade receivables | 190 | 363 | 181 |
| Trade payables | – | – | (1) |

*Amounts recognised in profit or loss*

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| *Amounts recognised in profit or loss* | | |
| Net foreign exchange gain/(loss) included in other income/other expenses | 11 | (68) |
| Total net foreign exchange gains/(losses) recognised in profit before income tax for the period | **11** | **(68)** |

## 10 Financial risk management (continued)

### (a) Market risk (continued)

*(i) Foreign exchange risk (continued)*

*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 | |
|---|---|---|
| | **30 June 2022** | **30 June 2021** |
| **Index** | **$'000** | **$'000** |
| CNY/AUD exchange rate - increase 10% | (17) | (16) |
| CNY/AUD exchange rate - decrease 10% | 21 | 20 |
| USD/AUD exchange rate - increase 10% | – | (33) |
| USD/AUD exchange rate - decrease 10% | – | 40 |

*(ii) Interest rate risk*

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

| | **30 June 2022** | **30 June 2021** |
|---|---|---|
| | **$'000** | **$'000** |
| Cash and cash equivalents | 322 | 922 |
| Borrowings (excluding fixed rate) | (42,065) | (27,965) |
| | **(41,743)** | **(27,043)** |

*Sensitivity*

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2022, 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:

| | **30 June 2022** | **30 June 2021** |
|---|---|---|
| | **$'000** | **$'000** |
| Interest rates - increase by 100 basis points | (344) | (323) |
| Interest rates - decrease by 100 basis points | 344 | 323 |

*(iii) Price risk*

*Exposure*

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

### (b) Credit risk

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

*(i) Risk management*

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

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

*(ii) Trade receivables*

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

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

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 20(m) 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 2022** | **30 June 2021** |
|---|---|---|
| | **$'000** | **$'000** |
| At 1 July | 254 | 254 |
| Provision for impairment recognised during the year | 335 | 27 |
| Receivables written off during the year as uncollectible | (335) | (27) |
| At 30 June | **254** | **254** |

*(iii) Past due but not impaired*

As at 30 June 2022, trade receivables of $3,965,728 (2021 - $3,477,407) 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 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Up to 3 months | 3,697 | 3,043 |
| 3 to 6 months | 8 | 430 |
| 6 to 9 months | 260 | 4 |
| At 30 June | **3,965** | **3,477** |

### (c) Liquidity risk

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

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

*(i) Maturities of financial liabilities*

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

| At 30 June 2022 | On demand $'000 | Less than 3 months $'000 | 3 to 12 months $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Trade and other payables | 4,560 | 12,037 | – | – | – | **16,597** |
| Borrowings | – | – | 22,872 | 27,456 | – | **50,328** |
| Hire purchase facilities | – | – | 1,420 | 4,306 | – | **5,726** |
| Total non-derivatives | 4,560 | 12,037 | 24,292 | 31,762 | – | **72,651** |
| **At 30 June 2021** | | | | | | |
| Trade and other payables | 17,510 | 929 | (1) | – | – | **18,438** |
| Borrowings | – | 14 | 418 | 27,532 | – | **27,964** |
| Hire purchase facilities | – | – | 1,097 | 4,177 | – | **5,274** |
| Total non–derivatives | 17,510 | 943 | 1,514 | 31,709 | – | **51,676** |

## 11 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 2022 (2021: $nil).

## 12 Interests in other entities

### (a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2022 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 |
|---|---|---|---|---|---|---|
| | | 2022 % | 2021 % | 2022 % | 2021 % | |
| Beston Global Food Company Limited | Australia | 100.0 | 100.0 | – | – | Food services |
| Beston Farms Pty Ltd | Australia | 100.0 | 100.0 | – | – | Dairy farming |
| Beston Pure Dairies Pty Ltd | Australia | 100.0 | 100.0 | – | – | Dairy production |
| Beston Pure Foods (Australia) Pty Ltd | Australia | 100.0 | 100.0 | – | – | Sales and distribution |
| Beston Global Food (Thailand) Company Limited | Thailand | 98.0 | 98.0 | 2.0 | 2.0 | Sales and distribution |
| Beston Global Food Company (Hong Kong) Limited | Hong Kong | 100.0 | 100.0 | – | – | Sales and distribution |
| Beston Food (Shanghai) Co. Limited | China | 100.0 | 100.0 | – | – | Sales and distribution |
| Beston Technologies Pty Ltd | Australia | 100.0 | 100.0 | – | – | Technology developer |
| AQUAessence Pty Ltd | Australia | 51.0 | 51.0 | 49.0 | 49.0 | Water products |
| Provincial Food Group Pty Ltd | Australia | 100.0 | 100.0 | – | – | Protein processing |

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

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| **Interest in:** | | |
| **Share capital** | (799) | (798) |
| **AQUAessence Pty Ltd - Summarised balance sheet** | | |
| Current assets | 155 | 139 |
| Current liabilities | 422 | 454 |
| **Current net assets** | **(267)** | **(315)** |
| Non-current assets | 1,192 | 1,230 |
| Non-current liabilities | 422 | 454 |
| **Non-current net assets** | **770** | **776** |
| **Net assets** | **503** | **461** |
| **Accumulated NCI** | **205** | **204** |
| **AQUAessence Pty Ltd - Summarised statement of comprehensive income** | | |
| Revenue | 165 | 138 |
| Profit/(loss) for the period | (1) | (103) |
| **Total comprehensive income** | **(1)** | **(103)** |
| Profit/(loss) allocated to NCI | (1) | (50) |
| **AQUAessence Pty Ltd - Summarised statement of cash flows** | | |
| Cash flows from operating activities | 164 | 163 |
| Cash flows from investing activities | – | – |
| Cash flows from financing activities | (168) | (167) |
| Net increase/(decrease) in cash and cash equivalent | 4 | (4) |

**(c) Investments**

| Name of entity | Country of incorporation and operation | % of ownership interest 2022 % | % of ownership interest 2021 % | Measurement method | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 |
|---|---|---|---|---|---|---|
| Neptune Bio-Innovations Pty Ltd | Australia | – | 10 | FVOCI | – | 1,200 |
| **Total investments** | | | | | – | 1,200 |

Investment sold in FY21.

## 13 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2022 (2021 – nil).

## 14 Commitments

At 30 June 2022, the Group had commitments of $289,877,913 relating to milk supply purchases from farmers. These milk purchase commitments have terms of between 1 and 9 years.

At 30 June 2022, the Group had nil commitments relating to equipment capital expenditure.

## 15 Events occurring after the reporting period

### Financing facilities

As at 30 June 2022 the Group's working capital financing facilities comprised a $41.8 million multi-option loan facility (the "Facilities") expiring 31 August 2023. As at 30 June 2022 the Group had drawn down $39.5 million under the Facilities.

On 30 August 2022, the Group completed negotiations to arrange a new increased facility of $53.2 million expiring 31 August 2023.

The new facility agreement includes two debt repayments totalling $16mill to be completed within the timeframes contained in the agreement. The timing of the planned capital raise discussed in note 20(a)(i) to the financial statements has required the Group to seek extension for the first debt repayment due on 30 September 2022. The Group's bankers have agreed to extend the terms of the repayment. The repayment has been agreed with the Group's bankers to be paid out of the proceeds of the Placement and Entitlement discussed in note 20(a)(i) to the financial statements. A second debt repayment scheduled for 31 December 2022 has been brought forward to align with the expected proceeds from the Entitlement Offer.

These repayments are expected to be funded via the proceeds raised in the capital raise noted below.

### Employee share issue

The Board of BFC provided STI bonuses to key members of the senior management team in recognition of the transformative work which was delivered in Q4 of FY22 to achieve the profit targets for that period, as the Company recovered from the impacts of COVID-related events and other factors which led to under performance in prior months, and particularly in H1.

The recipients of the STI bonus payments in respect of Q4/FY22 have opted to receive the payments in BFC shares, rather than cash. Accordingly, the following new shares were issued on 2 September 2022:

| | |
|---|---|
| Fabrizio Jorge, Chief Executive Officer | 1,036,270 |
| David Isherwood, Chief Manufacturing Officer | 777,200 |
| Cameron Woods, Director, Food & Beverages | 777,200 |
| Nick Wagner, Chief Financial Officer | 712,435 |
| Hamish Browning, Director, Agribusiness & Milk Supply | 712,435 |
| Adrian Bartsch, Director, People & Culture | 466,320 |

### Strategic partnership update

BFC provided an update on 05 August 2022 on its discussions with KCG Corporation in Thailand ("KCG") in relation to a potential strategic partnership under the terms of a Memorandum of Understanding (MOU) between KCG and BFC.

BFC and KCG have completed their mutual due diligence, within the target date of 31 August 2022, and neither party identified any issues of concern that would preclude the strategic placement from proceeding.

However, several matters remain unresolved, relating particularly to the terms and conditions of the Supply Agreement which is planned to be put in place between KCG and BFC as per the signed MOU.

Until such time these matters can be resolved, BFC has advised KCG that it has withdrawn its offer, under the terms of the MOU, to make a strategic placement of shares to KCG.

The management teams of KCG and BFC will continue to focus on the terms and conditions of the Supply Agreement. Any such Supply Agreement requires that the interests of both parties be properly balanced, so as to ensure the longevity and viability of the Agreement.

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

## 16 Related party transactions

### (a) Subsidiaries

Interests in subsidiaries are set out in note 12(a).

### (b) Key management personnel compensation

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Short-term employee benefits | 854 | 260 |
| Post-employment benefits | 52 | 25 |
| | 906 | 285 |

### (c) Transactions with other related parties

The following transactions occurred with related parties:

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| *Sales of goods and services* | | |
| Sale of goods to related parties | – | 114 |
| Remuneration paid for directors services | 4 | 5 |
| Interest income from related parties | 248 | 230 |
| *Purchases of goods and services* | | |
| Purchases of various goods and services from related parties | – | (60) |
| Management fee for Directors interests via the investment manager | (553) | (1,445) |
| Cost of internalisation of Investment Management Agreement | – | (3,074) |

The Group entered into the following transactions with related parties:

- Provision of additional directors' services to all associates and investee entities
- 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 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Outstanding balances receivable/(payable) | | |
| Current receivables | – | 3 |
| Current payables | – | (300) |

### (e) Loans to/from related parties

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Loans to other related parties | | |
| Beginning of year | 33 | 33 |
| **End of year** | **–** | **33** |

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

## 17 Remuneration of auditors

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| **Fees to Ernst & Young (Australia)** | | |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 309 | 273 |
| Fees for other services: | | |
| Tax compliance services | 39 | 68 |
| Blockchain services | 101 | – |
| **Total fees to Ernst & Young (Australia) [A]** | **449** | **341** |
| **Fees to other overseas member firms of Ernst & Young (Australia) [B]** | – | – |
| **Total auditor remuneration [A] + [B]** | **449** | **341** |

## 18 Earnings per share

### (a) Basic earnings/(loss) per share

| | 30 June 2022 Cents | 30 June 2021 Cents |
|---|---|---|
| From continuing operations attributable to the ordinary equity holders | (2.53) | (3.38) |
| From discontinued operations | – | – |
| Total basic earnings/(loss) per share attributable to the ordinary equity holders | **(2.53)** | **(3.38)** |

### (b) Diluted earnings/(loss) per share

| | 30 June 2022 Cents | 30 June 2021 Cents |
|---|---|---|
| From continuing operations attributable to the ordinary equity holders | (2.53) | (3.38) |
| From discontinued operations | – | – |
| Total diluted earnings/(loss) per share attributable to the ordinary equity holders | **(2.53)** | **(3.38)** |

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| *Basic earnings/(loss) per share* | | |
| Loss attributable to the ordinary equity holders used in calculating basic earnings/(loss) per share: | | |
| From continuing operations | (21,726) | (21,871) |
| From discontinued operations | – | – |
| | **(21,726)** | **(21,871)** |
| *Diluted earnings/(loss) per share* | – | – |
| Loss from continuing operations attributable to the ordinary equity holders | – | – |
| Used in calculating basic earnings/(loss) per share | (21,726) | (21,871) |
| Used in calculating diluted earnings/(loss) per share | **(21,726)** | **(21,871)** |

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

| | 2022 Number | 2021 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share | 860,268,929 | 644,707,646 |

## 19 Parent entity financial information

### (a) Summary financial information

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

| | 30 June 2022 $'000 | 30 June 2021 $'000 |
|---|---|---|
| **ASSETS** | | |
| Current assets | 5,186 | 6,137 |
| Non-current assets | 57,572 | 75,415 |
| **Total assets** | **62,758** | **81,552** |
| **LIABILITIES** | | |
| Current liabilities | 848 | 1,945 |
| Non-current liabilities | 4,999 | 4,045 |
| Total liabilities | 5,847 | 5,990 |
| **Net assets** | **56,911** | **75,563** |
| **EQUITY** | | |
| Issued capital | 176,580 | 174,636 |
| Reserves | (5,850) | (6,915) |
| Accumulated losses | (113,819) | (92,158) |
| **Total equity** | **56,911** | **75,563** |
| Profit/(loss) for the period | (19,717) | (21,062) |
| **Total comprehensive income/(loss)** | **(19,717)** | **(21,062)** |

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

## 20 Summary of significant accounting policies

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

### (a) Basis of preparation

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

*(i) Going Concern*

The Group incurred a net loss after tax of $21.7 million and had net cash outflows from operating activities of $19.8 million for the year ended 30 June 2022.

The financial statements have been prepared on the basis that the Group is a going concern which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis for the preparation of the financial report based on the Group's cash flow forecasts and revenue projections that have been prepared based on current market conditions and business plans. To continue as a going concern the Group requires the generation of sufficient funds from operating activities to meet its financial obligations, the continued support of its bankers and the successful completion of the Group's capital management and funding activities (the "Capital Management Plan") as described below.

**Cash flow from operating activities**

A budget and cash flow forecast has been prepared for the twelve-month period from the date of signing the financial statements. The cash flow forecast has been prepared on reasonable economic, operating and trading performance assumptions including those achieved in the Q4 trading period of FY22 (i.e., performance post the COVID-19 pandemic). If this forecast is achieved, it will support the Directors' going concern assertion. These forecasts are dependent upon the ability of the Group to secure the necessary milk volumes at the prices forecast by the Group. These volumes and prices are based on the Group's existing contracted milk purchases from suppliers. These forecasts are also dependant on the cash payment and collection profile being materially in line with the Group's cash flow forecasts.

**Financing facilities**

As at 30 June 2022, the Group's working capital facilities comprised a $41.8 million multi-option loan facility expiring 31 August 2023. As at 30 June 2022, the Group had drawn down $39.5 million under these facilities.

On 30 August 2022, the Group successfully negotiated and entered into an amended facility agreement, comprising an increased total facility limit of $53.2 million expiring 31 August 2023. The amended terms included certain stepped reductions in the facility limit totaling $16 million over the period to 31 December 2022 ("Debt Amortisation Payments") and a requirement to return rental bank guarantees of $1.1 million to the bank by 30 November 2022. The amended facility terms were negotiated after review of the Capital Management Plan (as described below) by the Group's bankers.

The timing of the planned capital raise (summarised below) has required the Group to seek further amendments to the above terms, including extension of the first Debt Amortisation Payment, which was due on 30 September 2022. On 29 September 2022 the Group's bankers agreed to remove certain undertakings and to vary the terms of the Debt Amortisation Payments such that the Group is required to repay $8 million, or the amount of the net proceeds from the Institutional Placement outlined below if less than $8 million, by 31 October 2022. Any difference between the net proceeds from the Institutional Placement and $8 million referred to above plus a further $8 million is required to be paid by 30 November 2022, the timing aligned to the expected proceeds from the Entitlement Offer outlined below. This agreement is subject to the execution of a formal amendment deed.

Following completion of the Capital Management Plan (below), the Group will have reduced its gearing levels. The Directors are confident of establishing or renewing sufficient debt facilities prior to expiry of the current facilities on 31 August 2023.

**Capital management plan**

The Directors of the Group are of the view that there are a number of compelling opportunities to allocate capital to projects which can accelerate the profitability of the Group, reduce debt, including meeting the Debt Amortisation Payments, and are supportive of a number of areas of investment which have been identified by Management for achieving cost savings and margin increases. The Board is also supportive of appropriate acquisition opportunities, which have the potential to provide synergistic benefits to the Group and expand its product portfolio.

Consistent with this view, the Group has initiated plans to undertake a fully/partially underwritten capital raise, comprising an Institutional Placement and Entitlement Offer targeting to raise at least $25 million to raise sufficient funds for the purposes outlined in the paragraph above.

In summary, having considered the foregoing matters, the Directors believe that the Group will continue as a going concern.

However, if the Group is unable to successfully complete the Capital Management Plan as described above and generate sufficient cash flows from operations, meet debt repayment requirements and successfully renegotiate (during the period to 31 August 2023) its bank facilities, a material uncertainty would exist in relation to the Group's ability to continue as a going concern and, therefore, whether it would be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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

*(ii) Compliance with IFRS*

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

*(iii) Historical cost convention*

These financial statements have been prepared under the historical cost basis.

*(iv) New and amended standards adopted by the Group*

The Group has applied certain standards and amendments which are effective for the first time in their annual reporting period commencing 1 July 2021. There are no new standards, interpretations or amendments to existing standards that are effective for the first time that have a material impact in current or future reporting periods and on foreseeable future transactions.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. The Group has assessed that none of these are relevant to the Group.

*Standards not yet effective*

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

### (a) Basis of preparation (continued)

*(vi) Key judgements, estimates and assumptions*

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

*Financial forecasting*

Management maintains a detailed financial model that it uses to forecast the future performance of each of its segments within the Group. This model was updated for the latest available information as at 30 June 2022. Key uses of the financial model include understanding expected financial performance, capital expenditure, cash-flow and capital and debt management requirements of the Group. The financial model is also the key input for valuation purposes, including impairment assessments. Significant assumptions that drive the forecast outcomes are subject to detailed review for reasonableness by management, and approval by the Board.

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

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost to sell calculation is based on the detailed financial model as discussed in 7(a), with cash flows derived from the forecast for the next five years. The key drivers used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 7(b)(c).

*Recoverability of deferred tax balances*

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

### (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 2022 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.

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

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

*(ii) Associates*

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

*(iii) Equity method*

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

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

## 20 Summary of significant accounting policies (continued)

*(iii) Equity method (continued)*

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 20(i).

### (c) Segment reporting

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

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

### (d) Foreign currency translation

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

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

*(iii) Group companies*

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

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

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

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

### (e) Revenue recognition

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

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

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

Revenue for interest income is recognised on the following basis:

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

### (f) Government grants

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

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

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

### (g) Income tax

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

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

### (g) Income tax (continued)

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

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

### (g) Income tax (continued)

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

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

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

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

### (h) Leases

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

- Group as a lessee

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

- Right-of use assets

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

- Lease liabilities

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

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

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

## 20 Summary of significant accounting policies (continued)

### (i) Impairment of non-financial assets

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

### (j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### (k) Trade receivables

Trade receivables are recognised initially at the transaction price as determined under AASB 15. Subsequently, trade receivables are carried at amortised cost and are subject to impairment. See note 5(b) for further information about the Group's accounting for trade receivables and note 10(b) for a description of the Group's impairment policies.

### (l) 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.

### (m) Investments and other financial assets

***(i) Classification and measurement***

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

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

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

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

***Financial assets fair value through profit and loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the Consolidated balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

***Financial assets at amortised cost***

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

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

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

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

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

*(ii) Recognition and derecognition*

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

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

*(iii) Impairment*

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

### (m) Investments and other financial assets (continued)

*(iii) Impairment (continued)*

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 has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 10(b).

### (n) 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. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, and loans and borrowings.

*(ii) Subsequent measurement*

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

*Loans and borrowings*

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

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

This category generally applies to interest-bearing borrowings.

*(iii) Derecognition*

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

### (o) Assets held for sale

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

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

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

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

## 20 Summary of significant accounting policies (continued)

### (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 and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant, and equipment.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 20(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 not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

#### *(ii) Trademarks and licences*

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

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

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

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

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

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

#### *(iv) Amortisation methods and periods*

Refer to note 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 that 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 at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

*(iii) Share-based payments*

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

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. 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/(loss) 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 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

Investments in subsidiaries, associates and joint venture entities are accounted for at cost, less any impairment, 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 6 for further details.

## 21 Difference to ASX Appendix 4E

The financial statements are consistent with the Company's ASX Appendix 4E released to ASX on 31 August 2022, with the exception of a $7.2m reclassification of financial liabilities from non-current liabilities to current liabilities, related to the Company's banking facilities. These facilities were renegotiated subsequent to balance date – refer note 15.

# Directors' declaration

In the Directors' opinion:

**(a)** the financial statements and notes set out on pages 42 to 75 are in accordance with the *Corporations Act 2001*, including:

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

**(iii)** complying with International Financial Reporting Standards , as disclosed in note 20(a)(ii), and

**(iv)** giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and

**(b)** based on the matters set out in note 20(a)(i), 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 2022.

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

**R N Sexton**
Chairman
Adelaide

30 September 2022

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

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

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Beston Global Food Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

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

### Basis for opinion

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

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

### Material uncertainty related to going concern

We draw attention to Note 20(a)(i) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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In addition to the matter described in the Material uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

1. 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.<br>The Group's net deferred tax asset of $29.8 million as at 30 June 2022 includes $30.9 million relating to carry forward tax losses and offsets, the recoverability of which is subject to the generation of future taxable profits and compliance with the relevant taxation legislative requirements.<br>The recoverability of the net deferred tax asset was a key audit matter due to the significance of the balance and the judgements involved in determining forecast taxable profits.<br>The Group's disclosures are included in Note 6(d) of the financial report. | Our audit procedures included an assessment of the Group's forecasts of future taxable income by:<br>• Comparing the forecasts for consistency with the cash flow forecasts utilised in the Group's impairment testing.<br>• Considering in conjunction with our tax specialists the ability of the Group to utilise the losses in accordance with regulatory restrictions.<br>• Testing the mathematical accuracy of the Group's calculations to derive current and deferred taxes.<br>• Performing sensitivity analysis in respect of the assumptions, which were considered to have the most significant impact on the recoverability of the deferred tax asset relating to losses. We assessed the likelihood of these changes in assumptions arising.<br>We also assessed the adequacy of the Group's disclosures regarding to the closing tax balances recorded at year end. |

2. 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 $57.2 million and goodwill and other intangible assets of $5.1 million as disclosed in Note 6 (a) and Note 6 (b) represent 47%of the total assets of the Group. | We assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards, including the Group's identification of its CGUs and the allocation of goodwill to those CGUs. |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| 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.<br><br>The Group recorded an impairment of goodwill of $2.0 million in respect of the Meat CGU as disclosed in Note 6(b)(ii).<br><br>The impairment testing of non-current assets, including goodwill and intangibles was considered a key audit matter due to the significance of these balances and the complex judgements in the impairment assessment process such as forecast revenue growth, product sales prices, margins and milk supply volume and prices. These assumptions are affected by future market or economic conditions.<br><br>The Directors obtained independent valuations 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 7.<br><br>The Group's impairment testing disclosures are included in Note 7, 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. | In conjunction with our valuation specialists, we performed the following procedures:<br>► In respect of the independent valuations we:<br>• Evaluated the competence, capabilities and objectivity of the external valuation expert.<br>• Assessed the valuation methodology used against generally accepted valuation practices.<br>• Assessed the discount rates applied by the expert through comparing the cost of capital for the Group with comparable businesses.<br>• Assessed the results of the expert's comparable industry valuation multiples analysis and analysis of other market evidence used as valuation cross-checks.<br>► In respect of the cash flow forecasts provided to the independent valuer by the Group we:<br>• Assessed the 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.<br>• Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy.<br>• Assessed whether the forecast cash flows, used in the impairment testing model, were consistent with the most recent Board approved cash flow forecasts.<br>• Assessed the adequacy of capital expenditure forecasts.<br>• Tested the mathematical accuracy of the discounted cash flow model.<br><br>We performed sensitivity analysis in respect of the assumptions 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 in the Dairy CGU or further impairment in the Meat CGU. We assessed the likelihood of these changes in assumptions arising. |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| | We considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 7. |

## 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 2022 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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- 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, actions taken to eliminate threats or safeguards applied.

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

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## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 38 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Beston Global Food Company Limited for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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

Ernst & Young

Ernst & Young

BJ Pollock
Partner

Melbourne
30 September 2022

# ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 8 September 2022.

## Ordinary share capital

868,281,268 fully paid Ordinary Shares are held by 3,507 individual Shareholders.
All Ordinary Shares carry one vote per share.
There are no restricted securities or securities subject to voluntary escrow
There is no current on-market buyback.

## Distribution of equity securities

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

| Range | Securities | % | Number of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 791,803,836 | 91.19 | 831 | 23.70 |
| 10,001 to 100,000 | 71,149,977 | 8.19 | 1,654 | 47.16 |
| 5,001 to 10,000 | 4,146,690 | 0.48 | 509 | 14.51 |
| 1,001 to 5,000 | 1,157,065 | 0.13 | 359 | 10.24 |
| 1 to 1,000 | 23,700 | 0.00 | 154 | 4.39 |
| **Total** | **868,281,268** | **100** | **3,507** | **100** |
| Unmarketable Parcels | 2,539,504 | 0.29 | 729 | 20.79 |

## Substantial shareholders

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

## Twenty largest holders of quoted equity securities

| Rank | Name | Number of Shares Held | % |
|---|---|---|---|
| 1 | KUNTENG PTE LTD | 64,051,111 | 7.38 |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 54,865,041 | 6.32 |
| 3 | AUSTRALIA AULONG AUNIU WANG FOOD HOLDINGS PTY LTD | 54,449,834 | 6.27 |
| 4 | BNP PARIBAS NOMINEES PTY LTD | 44,299,946 | 5.10 |
| 5 | BNP PARIBAS NOMS PTY LTD | 35,962,075 | 4.14 |
| 6 | HISHENK PTY LTD | 27,905,882 | 3.21 |
| 7 | BLUE RIDGE HOLDINGS PTY LTD | 21,403,143 | 2.47 |
| 8 | MS SHERYL DENG | 20,181,214 | 2.32 |
| 9 | BESTON PACIFIC ASSET MANAGEMENT PTY LTD | 17,312,145 | 1.99 |
| 10 | BNP PARIBAS NOMS PTY LTD | 13,388,176 | 1.54 |
| 11 | WILLOUGHBY CAPITAL PTY LTD | 12,700,000 | 1.46 |
| 12 | CITICORP NOMINEES PTY LIMITED | 11,807,676 | 1.36 |
| 13 | FIRST BOOM INVESTMENTS LIMITED | 11,428,572 | 1.32 |
| 14 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 10,342,994 | 1.19 |
| 15 | ROSIANO PTY LTD | 8,569,729 | 0.99 |
| 16 | FIRST BOOM INVESTMENTS LIMITED | 8,333,334 | 0.96 |
| 17 | CITICORP NOMINEES PTY LIMITED | 8,250,979 | 0.95 |
| 18 | FAT PROPHETS PTY LTD | 6,544,452 | 0.75 |
| 19 | MNA FAMILY HOLDINGS PTY LTD | 6,544,118 | 0.75 |
| 20 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 6,267,469 | 0.72 |
| | **Total** | **444,607,890** | **51.21** |
| | **Balance of register** | **423,673,378** | **48.79** |
| | **Grand total** | **868,281,268** | **100.00** |

# Corporate directory

**BESTON GLOBAL FOOD COMPANY LIMITED**
ABN 28 603 023 383
Annual Report for the period ended 30 June 2022

**INCORPORATION**
Incorporated in Australia on 24 November 2014

**DIRECTORS**

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

**CEO**
Fabrizio Jorge

**COMPANY SECRETARY**
Richard Willson

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

**PRINCIPAL PLACE OF BUSINESS**
Level 9, 420 King William St,
Adelaide, South Australia 5000
+61 (0)8 8470 6500

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

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

**LEGAL ADVISORS**
Minter Ellison

**AUDITORS**
Ernst & Young Australia

**BANKERS**
National Australia Bank

BESTON
GLOBAL FOOD COMPANY

bestonglobalfoods.com.au