

Results for announcement to the market

We have provided this results announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4D for the Consolidated Group ('Beston') comprising Beston Global Food Company Limited ('the Company') [ABN: 28 603 023 383] and its controlled entities ('the Group') for the half-year ended 31 December 2021 compared to the half-year ended 31 December 2020.

Consolidated results, commentary on results and outlook.

	31 December 2021 (\$0,000)	31 December 2020 (\$0,000)	Movement (\$'000)	Movement %
Revenue from ordinary activities	68,289	52,838	15,451	29.24%
Loss before tax attributable to equity holders	(11,866)	(12,517)	651	5.2%
Income tax (expense)/benefit	4,090	3,692	398	10.78%
Loss after tax attributable to equity holders	(7,776)	(8,825)	1,049	11.89%

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

Net tangible assets per share

	31 December 2021 \$ per share	31 December 2020 \$ per share
Net tangible assets per share	\$ 0.071	\$ 0.108

In accordance with Chapter 19 of the ASX Listing Rules, net tangible assets per share represents total assets, including right-of-use assets, less intangible assets, less liabilities ranking ahead of, or equally with, ordinary share capital and divided by the number of ordinary shares on issue at the end of the year. Net assets for the half-year ended 31 December 2021 are \$68.6 million (half-year ended 31 December 2020: \$75.9 million).

Distributions

There were no dividends paid, recommended, or declared during the current financial period.

Independent auditor's report

The Consolidated Interim Financial Report upon which this announcement of the results to the market is based have been reviewed and the Independent Auditor's Review Report to the members of Beston Global Food Company Limited is included in the attached Financial Report.

Financial report

for the half-year ended 31 December 2021

Review of operations	4
Directors' report	5
Auditor's independence declaration	6
Interim Financial Report	7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the preliminary consolidated financial statements	12
Directors' declaration	23
Independent auditor's report	24

BESTON
GLOBAL FOOD COMPANY

For personal use only





Review of operations

A review of the results of the operations of the consolidated entity during the half-year is as follows:

Summary of consolidated results	1H22	1H21	Variance
Milk supply (million litres)	79.8	73.7	8.3%
Production volumes (tonnes)			
Mozzarella	7,939	5,646	40.6%
Whey powder	3,358	2,622	28.1%
Lactoferrin	7,429	635	1,070.1%
Sales volumes (tonnes)			
Mozzarella	7,677	5,401	42.1%
Whey powder	3,367	2,569	31.1%
Lactoferrin	2,255	592	281.2%

	\$'000s	\$'000s	Variance
Product sales	68,289	52,838	29.2%
Gross margin	4,375	611	616.0%
Gross margin %	6.4%	1.2%	454.0%
Loss before income tax	(11,866)	(12,517)	5.2%
Income tax benefit	4,090	3,692	10.8%
Loss for the period	(7,776)	(8,825)	11.9%

Revenues of the consolidated entity increased 29.2% to \$68.3 million for the half-year, including increased dairy export sales, which increased from 19.6% to 25.1% of total sales. Refer Note 2 to the consolidated financial statements for further detail.

Gross Margins increased compared to the comparative period, as a reflection of the improved production performance in the dairy manufacturing facilities. Gross margins in the Meat business also improved during the period. Refer to the segment note in Note 1(c) of the consolidated financial statements for further detail.

During the financial half-year period ended 31 December 2021, the consolidated statutory net loss attributable to the owners of the Beston Global Food Company Ltd was \$7.78 million, an improvement of \$1.03 million against the comparative period.

The net cash outflow from operating activities of \$16.2 million was largely due to the operating result as well as unfavourable working capital movements in trade debtors (corresponding to our higher levels of sales), and to a small inventory build-up. Net cash flows for the half-year were positive, with the cash on hand increasing over the period.

Equity attributable to the equity holders of Beston Global Food Company Limited as at 31 December was \$69.4 million.

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 half-year ended 31 December 2021. 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**
- **J Andrew**
- **N Longstaff**
- **C Hayman** (appointed 25 August 2021)
- **K Reid** (appointed 19 January 2022)
- **P Coventry** (resigned 19 January 2022)
- **I McPhee** (resigned 19 January 2022)

Principal activities

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

- Production of dairy, meat, and water products for sale into local and international markets.
- Development and production of health and well-being focused food, beverage and pharmaceutical products.
- 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 half-year ended 31 December 2021 (31 December 2020: 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 on page 4.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year other than those outlined in the review of operations on page 4.

Events since the end of the financial year

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

Likely developments and expected results of operations

There are no substantial changes in the operating capability of the dairy or meat business planned for the second half of the year. The operating performance of the key production facilities has been and is expected to be in line with the Company's expectations. The results of operations for the second half of the year are largely dependent upon continuing good performance at the key production facilities, market prices for products sold, and the timing of sales of Lactoferrin.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

For personal use only

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 review of the half-year financial report of Beston Global Food Company Limited for the half-year ended 31 December 2021, 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
Melbourne
25 February 2022

For personal use only

Beston Global Food Company Limited
ABN 28 603 023 383

Interim financial report

31 December 2021

Financial statements

Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the preliminary consolidated financial statements	12
Directors' declaration	23

These interim financial statements are the consolidated interim financial statements for the Group consisting of Beston Global Food Company Limited and its subsidiaries.

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 4 and in the directors' report on page 5, neither of which are part of these financial statements.

The financial statements were authorised for issue by the Directors on the 25th February 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 on our website: bestonglobalfoods.com.au

For personal use only

Consolidated statement of comprehensive income

For the half-year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Revenue from continuing operations			
Sale of goods	2	68,289	52,838
Other revenue	2	21	24
		68,310	52,862
Other income	4(a)	85	87
Expenses			
Cost of sales of goods	4(b)	(63,914)	(52,227)
Other expenses from ordinary activities			
Operating overheads	4(b)	(7,632)	(5,864)
Selling and distribution	4(b)	(2,273)	(1,852)
Corporate overheads and business support	4(b)	(5,963)	(4,951)
Loss from operations		(11,387)	(11,945)
Finance income		–	3
Finance expenses		(479)	(575)
Net finance expense	4(c)	(479)	(572)
Loss before income tax		(11,866)	(12,517)
Income tax benefit	5	4,090	3,692
Loss for the period		(7,776)	(8,825)
<i>Item that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		439	233
Other comprehensive gain for the period, net of tax		439	233
Total comprehensive loss or the period		(7,337)	(8,592)
Loss is attributable to:			
Owners of Beston Global Food Company Limited		(7,773)	(8,806)
Non-controlling interests		(3)	(19)
		(7,776)	(8,825)
Total comprehensive loss for the period is attributable to:			
Owners of Beston Global Food Company Limited		(7,334)	(8,573)
Non-controlling interests		(3)	(19)
		(7,337)	(8,592)
Loss per share attributable to the ordinary equity holders			
Basic loss per share	14(a)	(0.91)	(1.47)
Diluted loss per share	14(a)	(0.91)	(1.47)

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

Consolidated balance sheet

As at 31 December 2021

		31 December	30 June
		2021	2021
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalent	6(a)	1,450	922
Trade and other receivables	6(b)	26,085	18,752
Inventories		19,824	18,874
Investments	3	–	1,200
		47,359	39,748
Non-current assets			
Receivables	6(b)	150	150
Right-of-use assets		233	155
Property, plant and equipment		56,374	55,543
Deferred tax assets	7(c)	31,617	27,506
Intangible assets		7,321	7,081
		95,695	90,435
Total assets		143,054	130,183
Current liabilities			
Trade and other payables	6(c)	18,306	18,439
Financial liabilities	6(d)	24,926	1,529
Employee benefit obligations		763	789
		43,995	20,757
Non-current liabilities			
Financial liabilities	6(d)	28,663	31,709
Employee benefit obligations		126	110
Deferred tax liabilities		1,713	1,713
		30,502	33,532
Total liabilities		74,497	54,289
Net assets			
		68,557	75,894
Contributed equity	8(a)	176,580	174,636
Other reserves		(7,916)	(6,411)
Accumulated losses		(99,306)	(91,533)
		69,358	76,692
Non-controlling interests		(801)	(798)
Total equity		68,557	75,894

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

For personal use only

Consolidated statement of changes in equity

For the half-year ended 31 December 2021

	Attributable to the owners of Beston Global Food Company Limited					Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	NCI \$'000	
Balance at 1 July 2020	159,337	(8,892)	(69,712)	80,733	(748)	79,985
Loss for the period	–	–	(8,806)	(8,806)	(19)	(8,825)
Other Comprehensive Income	–	233	–	233	–	233
Total Comprehensive income for the period	–	233	(8,806)	(8,573)	(19)	(8,592)
Issue of share capital	1,006	–	–	1,006	–	1,006
As at 31 December 2020	160,343	(8,659)	(78,518)	73,166	(767)	72,399
Balance at 1 July 2021	174,636	(6,411)	(91,533)	76,692	(798)	75,894
Loss for the period	–	–	(7,773)	(7,773)	(3)	(7,776)
Other Comprehensive Income	–	439	–	439	–	439
Total Comprehensive income for the period	–	439	(7,773)	(7,334)	(3)	(7,337)
Issue of share capital	1,944	(1,944)	–	–	–	–
As at 31 December 2021	176,580	(7,916)	(99,306)	69,358	(801)	68,557

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

Consolidated statement of cash flows

For the half-year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers		62,966	49,488
Payments to suppliers and employees		(78,655)	(66,968)
Interest received		–	3
Interest paid	4(c)	(479)	(498)
Net cash outflows from operating activities		(16,168)	(17,975)
Cash flows from investing activities			
Payments for PP&E	7(a)	(2,234)	(8,187)
Payments for intangibles	7(b)	(301)	(352)
Proceeds on disposal of investments	3	1,200	–
Proceeds on disposal of Dairy Farms (net of costs)		–	39,004
Proceeds on disposal of livestock		–	279
Net cash inflows/(outflows) from investing activities		(1,335)	30,744
Cash flows from financing activities			
Proceeds from the issue of shares		–	1,006
Proceeds from borrowings		12,170	543
Proceeds from deposit of sale of trade debtors	6(e)	5,940	–
Repayment of borrowings		–	(20,517)
Payment of lease liabilities		(78)	78
Cash inflows/(outflows) from financing activities		18,032	(18,890)
Net increase/(decrease) in cash and cash equivalents		529	(6,121)
Cash and cash equivalents at the beginning of the period		922	10,556
Net foreign exchange differences		(1)	156
Cash and cash equivalents at the end of period	6(a)	1,450	4,591

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

For personal use only

Contents of the notes to the preliminary consolidated financial statements

1	Segment information	13
2	Revenue	15
3	Disposal of investments	16
4	Other income and expenditure	16
5	Income tax benefit	16
6	Financial assets and financial liabilities	17
7	Non-financial assets and liabilities	19
8	Equity	19
9	Dividends	19
10	Interests in other entities	20
11	Contingent liabilities and contingent assets	20
12	Commitments	20
13	Events occurring after the reporting period	20
14	Earnings per share	21
15	Related party transactions	21
16	Summary of significant accounting policies	22

For personal use only

1 Segment information

(a) Description of segments

The Group's executive management committee, consisting of the Chief Executive Officer and the Chief Financial Officer, examines the Group's performance both from a product and geographic perspective and has identified five 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 production of high quality and innovative meat and related products for expanding domestic and export markets.
- The Australian Other segment includes other Australian domiciled businesses developing technological software for tracking the provenance and authenticity of goods, as well as the production of spring water and related products.
- The International Other segment includes foreign entities providing sales support and customer support for customers of the consolidated entity.
- The Corporate segment provides business support to the operating segments.

(b) Management analysis

The Group maintains a detailed financial model that it uses to forecast the future performance of each of its segments, and the Group. This model was updated for the latest available information as at 31 December 2021. 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. Reasonable estimates have been applied to ensure each of the segments are robust in their assessment of future cash flows.

At 31 December 2021, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of intangible assets. Accordingly, the Group updated the impairment assessment performed as at 30 June 2021, using a consistent approach applied to the latest available forecast information. As discussed further below, the outcome of this assessment is that there is no impairment loss recognised as at 31 December 2021.

(i) Australian Dairy

The recoverable amount of the Australian Dairy segment, \$132.4 million as at 31 December 2021, 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 the Group. The impacts of COVID-19 on future cash flows were considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Dairy segment is \$1,092,067.

Key drivers which impact the recoverable amount of the Australian Dairy segment include:

- The price of milk paid to farmers and other suppliers;
- The volume of milk obtained from farmers and other suppliers;
- Production yields of mozzarella, cream, whey powder and lactoferrin (after completion of the expansion project); and
- The prices of products sold to customers, primarily mozzarella, cream, whey powder, and lactoferrin.
- Discount rate applied to its cash flow projections

The Group has determined that a reasonable possible change in the key assumptions of the recoverable amount calculation would not cause the carrying amount to exceed the recoverable amount of the Dairy segment. As a result of this analysis the Group did not identify impairment for this segment.

(ii) Australian Meat

The recoverable amount of the Australian Meat segment, \$10.0 million as at 31 December 2021, 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 the Group. The impacts of COVID-19 on future cash flows were considered when determining inputs for the fair value less cost to sell calculations. The carrying value of goodwill allocated to the Australian Meat segment is \$4,828,242.

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

- Real sales growth;
- Gross margin;
- Inflation; and
- Discount rate applied to its cash flow projections

Each of the sensitivities above 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

An increase of the pre-tax discount rate to 13.4% (i.e. +1.5%) in the Australian Meat CGU would result in a decrease in the recoverable amount of \$1.9 million. This decrease would result in an impairment of \$1.7 million.

(ii) Gross margin

A decrease of the gross margin by 2.5% in the Australian Meat CGU would result in a decrease in the recoverable amount of \$4.3 million. This decrease would result in an 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 in a decrease in the recoverable amount of \$2.9 million. This decrease would result in an impairment of \$2.7 million.

For personal use only

1 Segment information continued

(c) Segment results

The segment information for the half-year ended 31 December 2021 and the year ended 31 December 2020 provided to the executive management committee for the reportable segments are as follows:

31 December 2021	Australian Dairy	Australian Meat	Australian Other	International	Corporate	Total
Revenue						
Contracts with customers	62,815	5,375	99	–	–	68,289
Other revenue	15	–	6	–	–	21
Other income	84	–	1	–	–	85
Finance income	–	–	–	–	–	–
Total revenue	62,914	5,375	106	–	–	68,395
Expenses						
Cost of Sales	(58,927)	(4,869)	(56)	(65)	–	(63,914)
Other operating costs	(6,632)	(948)	(131)	–	79	(7,632)
Selling and distribution	(2,204)	(50)	(19)	–	–	(2,273)
Business support	(2,387)	(937)	(31)	(35)	(2,573)	(5,963)
Finance costs	–	–	–	–	(479)	(479)
Corporate allocation	(551)	(50)	(2)	–	603	–
Total expenses	(70,701)	(6,854)	(239)	(97)	(2,370)	(80,261)
Operating result before tax	(7,785)	(1,479)	(133)	(97)	(2,370)	(11,866)
Attributable to owners of Beston	(7,785)	(1,479)	(130)	(97)	(2,370)	(11,863)
Attributable to NCI	–	–	(3)	–	–	(3)
31 December 2020	Australian Dairy	Australian Meat	Australian Other	International	Corporate	Total
Revenue						
Contracts with customers	48,473	4,281	84	–	–	52,838
Other revenue	18	–	6	–	–	24
Other income	86	–	1	–	–	87
Finance income	–	–	–	–	3	3
Total revenue	48,577	4,281	91	–	3	52,952
Expenses						
Cost of Sales	(47,990)	(4,185)	(52)	–	–	(52,227)
Other operating costs	(4,848)	(707)	(233)	–	(76)	(5,864)
Selling and distribution	(1,824)	(14)	(14)	–	–	(1,852)
Business support	(1,892)	(490)	(20)	(122)	(2,427)	(4,951)
Finance costs	–	–	–	–	(575)	(575)
Corporate allocation	(519)	(48)	(2)	–	569	–
Total expenses	(57,073)	(5,444)	(321)	(122)	(2,509)	(65,469)
Operating result before tax	(8,496)	(1,163)	(230)	(122)	(2,506)	(12,517)
Attributable to owners of Beston	(8,496)	(1,163)	(25)	(122)	(2,506)	(12,312)
Attributable to NCI	–	–	(205)	–	–	(205)

1 Segment information continued

(d) Segment assets and liabilities

The information on segment assets and liabilities provided to the Executive Management Committee for reportable segments as at 31 December 2021 and 30 June 2021 is as follows:

	Australian Dairy	Australian Meat	Australian Other	International	Corporate	Total
As at 31 December 2021						
Total segment assets; including	88,936	11,558	2,037	237	40,286	143,054
Capital expenditure for the 6 months to 31 December 2021	1,850	113	249	–	2	2,234
Total segment liabilities	(59,183)	(7,673)	(442)	75	(7,274)	(74,497)
As at 30 June 2021						
Total segment assets; including	78,993	12,472	1,831	261	36,626	130,183
Capital expenditure for the 12 months to 30 June 2021	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:

	31 December 2021 \$'000	31 December 2020 \$'000
Sale of goods		
Contracts with customers	68,289	52,838
Other revenue		
Leasing income	21	24
Total revenue	68,310	52,862

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

Sale of goods	31 December	31 December	31 December	31 December
	\$'000	\$'000	\$'000	\$'000
	Dairy	Meat	Other	Total
2021				
Australia	45,688	5,375	99	51,162
Asia	11,376	–	–	11,376
Europe	1,260	–	–	1,260
North America	4,491	–	–	4,491
Total	62,815	5,375	99	68,289
2020				
Australia	38,129	4,281	84	42,494
Asia	7,606	–	–	7,606
Europe	1,051	–	–	1,051
North America	1,687	–	–	1,687
Total	48,473	4,281	84	52,838

For personal use only

3 Disposal of investments

On 31 July 2021, Beston Global Food Company Ltd sold its investment in the equity and convertible notes that constituted the Group's investment in Neptune Bio-Innovations Pty Ltd for \$1.2 million.

	Notes	31 July 2021 \$'000
Cash Received		1,200
Total disposal consideration		1,200
<i>Less: Investments</i>		
Investments		1,200
Net profit/(loss) on disposal of assets	4(a)	–

4 Other income and expenditure

	31 December 2021 \$'000	31 December 2020 \$'000
(a) Other income	\$'000	\$'000
Net loss on disposal of assets	–	(104)
Other items	85	12
Government grants	–	179
	85	87

(b) Break down of expenses by nature

Changes in inventories of finished goods and work in progress	(8,388)	(4,960)
Raw materials and consumables used	61,466	49,365
Employee benefits expense	10,131	7,142
Depreciation and amortisation	1,465	1,544
Management fee	553	772
Other expenses	2,417	1,799
Consultancy expenses	1,007	662
Occupancy expenses	278	235
Rates and taxes	2,242	1,811
Repairs and maintenance	1,783	1,075
Insurance expenses	1,445	1,189
Logistics and marketing expenses	5,383	4,260
	79,782	64,894

(c) Finance income and costs

Interest income	–	3
Finance income	–	3
Finance charges paid for financial liabilities	(478)	(498)
Net exchange losses	(1)	(77)
Finance costs	(479)	(575)
Net finance costs	(479)	(572)

5 Income tax benefit

	31 December 2021 \$'000	31 December 2020 \$'000
<i>Deferred income tax</i>		
Deferred tax	(4,090)	(3,692)
Total income tax benefit	(4,090)	(3,692)
<i>Income tax is attributable to:</i>		
Loss from continuing operations	(4,090)	(3,692)

6 Financial assets and financial liabilities

(a) Cash and cash equivalents

	31 December 2021 \$'000	30 June 2021 \$'000
Cash at bank and in hand	1,450	922

(b) Trade and other receivables

	Notes	31 December 2021			30 June 2021		
		Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Trade receivables		13,651	–	13,651	14,184	–	14,184
Securitised trade receivables	6(e)	5,940	–	5,940	–	–	–
Provision for impairment		(159)	–	(159)	(254)	–	(254)
		19,432	–	19,432	13,930	–	13,930
Other receivables		1,338	150	1,488	1,095	150	1,245
Prepayments		3,830	–	3,830	2,021	–	2,021
Goods and services tax (GST) receivable		1,485	–	1,485	1,706	–	1,706
		26,085	150	26,235	18,752	150	18,902

(c) Trade and other payables

	31 December 2021 \$'000	30 June 2021 \$'000
Current liabilities		
Trade payables	13,273	15,035
Goods and service tax (GST) payable	383	585
Accrued expenses	3,674	831
Payroll liabilities	780	588
Other creditors	196	1,400
	18,306	18,439

For personal use only

6 Financial assets and financial liabilities (continued)

(d) Financial liabilities

				31 December 2021	30 June 2021
				\$'000	\$'000
Current financial liabilities: loans and borrowings				16,486	1,270
Current financial liabilities: other				8,440	259
Current financial liabilities				24,926	1,529
Non-current financial liabilities: loans and borrowings				28,663	31,709
Non-current financial liabilities				28,663	31,709
				31 December 2021	30 June 2021
				\$'000	\$'000
	Notes	Interest rate	Maturity		
Financial liabilities: loans and borrowings					
Current					
Equipment lease		3.56%	December 2025	101	95
Equipment lease		2.24%	June 2028	806	436
Equipment lease		3.00%	June 2024	61	321
Term loan		BBSY + 2.50%	March 2022	3,500	–
Term loan		BBSY + 2.50%	March 2022	4,000	–
Term loan		BBSY + 2.05%	June 2022	4,000	–
Term loan		BBSY + 2.05%	November 2024	3,600	–
Property mortgage		BBSY + 2.50%	November 2024	418	418
				16,486	1,270
Non-current					
Equipment lease		3.56%	December 2025	303	–
Equipment lease		2.46%	June 2028	4,292	4,136
Equipment lease		3.00%	June 2024	732	–
Equipment lease		2.46%	June 2028	–	41
Term loan		BBSY + 2.05%	November 2024	19,400	23,000
Term loan		BBSY + 2.05%	November 2024	1,566	1,953
Property mortgage		BBSY + 2.50%	November 2024	2,370	2,579
				28,663	31,709
Total financial liabilities: loans and borrowings				45,149	32,979
Financial liabilities: other					
Current					
Office lease liability		9.23%	August 2022	143	245
Insurance premium funding		1.79%	October 2022	2,357	14
Deposits on sale of trade debtors	6(e)	4.24%	November 2022	5,940	–
				8,440	259
Total financial liabilities: other				8,440	259

The Company regularly updates its forecasts of future cash needs and considers currently available and probable funding sources when planning for operational activities and capital expenditure projects. The Company's primary sources of funding include operating cash flows, bank borrowings and investment markets. The Company seeks to match its funding needs with appropriate short- and long-term funding sources.

6 Financial assets and financial liabilities (continued)

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

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Securitisations			
Carrying amount of transferred assets	6(b)	5,940	–
Carrying amount of associated liabilities	6(d)	5,940	–
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.

7 Non-financial assets and liabilities

(a) Property, plant and equipment

During the half-year ended 31 December 2021, the Group acquired assets with a cost of \$2.2m (half-year ended 31 December 2020: \$8.2m).

(b) Intangible assets

During the half-year ended 31 December 2021, the Group acquired assets with a cost of \$0.3m (half-year ended 31 December 2020: \$0.4m).

(c) Deferred tax balances

As at 31 December 2021, the Group has deferred tax assets totalling \$31.6m, mostly comprising of carried forward tax losses. The Group's detailed financial model, referred to in Note 1(b), 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.

8 Equity

(a) Contributed equity

	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares - fully paid	863,799,408	842,674,408	176,580	174,636

9 Dividends

There were no dividends provided for during the half-year ended 31 December 2021 (2020: \$nil).

For personal use only

10 Interests in other entities

Name of entity	Country of incorporation and operation	% of ownership interest		Measurement method	Carrying amount	
		2021	2020		2021	2020
		%	%		\$'000	\$'000
Neptune Bio-Innovations Pty Ltd	Australia	–	10	FVOCI	–	–
Total investments					–	–

11 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 31 December 2021 (2020:\$nil).

12 Commitments

At 31 December 2021, the Group had entered into multi-year milk supply contracts which have terms of between 1 and 10 years. The estimated amounts that would be payable in respect of forecast volumes is \$248,823,101 over this period.

At 31 December 2021, the Group had capital expenditure commitments of nil.

13 Events occurring after the reporting period

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

14 Earnings per share

(a) Basic earnings/(loss) per share

	31 December 2021 Cents	31 December 2020 Cents
From continuing operations attributable to the ordinary equity holders	(0.91)	(1.47)
Total basic loss per share attributable to the ordinary equity holders	(0.91)	(1.47)

(b) Diluted earnings/(loss) per share

	31 December 2021 Cents	31 December 2020 Cents
From continuing operations attributable to the ordinary equity holders	(0.91)	(1.47)
Total diluted loss per share attributable to the ordinary equity holders	(0.91)	(1.47)

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

	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	856,757,741	600,210,641

15 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	31 December 2021	31 December 2020
<i>Sales of goods and services</i>		
Sale of goods to investee entities	2	106
Interest income from investee companies	120	111
<i>Purchases of goods and services</i>		
Management fee for Directors' interests via the investment manager	286	810

(b) 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:

	31 December 2021 \$'000	30 June 2021 \$'000
Outstanding balances receivable/ (payable)		
Current receivables	–	105
Current payables	(4)	(228)

(c) Terms and conditions

A resolution was approved at the EGM on 28 May 2021 which terminated the Investment Management Agreement ('IMA') with Beston Pacific Asset Management ('BPAM') as the investment manager. The approval resulted in a termination fee being recognised payable to BPAM consisting of \$1.13m in cash and 21,125,000 shares. The share price on 29 May was \$0.092 per share.

The settlement of this transaction occurred during the reporting period on 28 August 2021. The expense relating to this transaction was recognised during the year ended 30 June 2021.

For personal use only

16 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

This interim report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Beston Global Food Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective for reporting periods commencing on or after 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021/2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

(c) Key judgements, estimates and assumptions

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

(i) Financial forecasting

Management maintains a detailed financial model that it uses to forecast the future performance of each of its segments within the Group, and the Group. This model was updated for the latest available information as at 31 December 2021. 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.

(ii) 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 16(c)(i), 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 1(b).

(iii) Recoverability of deferred tax assets

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. Per the discussion in note 7(c), the assessment of utilisation of the deferred tax assets relies upon the forecasts derived from the detailed financial model as discussed in 16(c)(i).

Directors' declaration

In the Directors' opinion:

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 22 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as of 31 December 2021 and of its performance for the half-year ended on that date, and

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

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



R N Sexton
Director
Adelaide

For personal use only

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



**Building a better
working world**

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

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

Conclusion

We have reviewed the accompanying half-year financial report of Beston Global Food Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

For personal use only



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'BJ Pollock'.

BJ Pollock
Partner
Melbourne
25 February 2022

For personal use only