

BESTON GLOBAL FOOD COMPANY



Beston Global Food Company Limited

ABN 28 603 023 383

Interim report for the half-year ended 31 December 2017

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Beston Global Food Company Limited

Appendix 4D

Half-year ended 31 December 2017

Name of entity
Beston Global Food Company Limited

ABN or equivalent company
reference

ABN 28 603 023 383

Half-year

31 December 2017
(Previous corresponding period: 31
December 2016)

Results for announcement to the market

			\$'000
Revenue from ordinary activities	Up	83.5%	19,194
Earnings before interest and taxation (EBIT)	Up	33.9%	(3,926)
Net profit after tax (from ordinary activities) for the period attributable to members	Up	19.2%	(2,958)

Net tangible asset backing (per share)

	31 December 2017 Cents	31 December 2016 Cents
Net tangible asset backing (per share)	0.27	0.31

Changes in controlled entities

Pursuant to the sale agreement dated 31 December 2017, control of Beston Global Food Company (Dalian) Limited was lost due to the interests in the company being sold.

Audit

The Financial Statements upon which this Appendix 4D 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 Consolidated Interim Financial Statements.

Beston Global Food Company Limited

Interim report - 31 December 2017

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This interim financial 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 2017 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*.

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Review of operations and activities

1.0 Executive Summary

The Board of Beston Global Food Company Limited (ASX:BFC) is pleased to report on the solid progress which has been made in the Company over the First Half of FY2017-18. The Company has been successful in achieving most of the targets it set out to achieve in the First Half and in doing so, has positioned its operations to more strongly leverage off the strengths in its key divisions.

Group Sales Revenues for the First Half jumped to \$18.34 million, representing an increase of 84% on Group Sales Revenues for the same period (i.e. First Half) last year. The result reflects the strong top line growth which has been achieved in the Company over the six months to 31 December 2017.

Key points to note from the results are that

- Revenues for the six months to 31 December 2017 amounted to 77% of the total revenues for the previous full year 2016-17 (i.e. revenues for H1 2017-18 were just over three quarters of the total revenues for FY2016-17).
- Gross profit increased by \$5.54 million, up 426% on the prior corresponding period, primarily due to the increased milk supply and increase in volumes of cheese produced.
- Gross profit margins for H1 2017-18 period averaged 37%, an increase of 185% on the previous corresponding period
- All operating divisions, except the Health and Nutrition Division, recorded profits
- EBITDA, after corporate overheads and consolidations was a loss of \$2.98 million for the H1 period, an improvement of \$3.13 million or 51% on the previous corresponding period
- BFC has carried a range of start-up and set-up costs in the period which exceeded initial expectations (as explained below) but fully expects to pick up the benefits of the actions taken as the Company goes forward
- The bottom line impact of these costs has been exacerbated by the delay in completion of the new Mozzarella plant, which came on stream on 14 February 2018, (four months later than anticipated).
- Net Profit after tax was a loss of \$2.96 million, an improvement of 19% on the previous corresponding period
- Cash has decreased over the half due to capital investments in mozzarella and hard cheese plants in addition to the funding of milk procurement to continue to grow the throughput of milk at its factories and achieve revenue growth and earnings growth

The overall result shows the turnaround achieved in the Company during the six months to December 2017 and demonstrate the measures which BFC has been implementing with the goal of achieving profitability for the full year (see 2.0 below).

Results by segment were as follows

- The Dairy segment has contributed a profit of \$1.1m, a turnaround of \$0.8m from the full year dairy profit of \$0.3m and a turnaround profit of \$2.5m from the dairy loss of (\$1.4m) from the first half of 2016-17
- The Seafood segment has contributed a profit of \$0.1m, a turnaround of \$0.4m from the full year loss of (\$0.3m) and a turnaround profit of \$0.2m from the seafood loss of (\$0.2m) from the first half of 2016-17
- The Meat segment has contributed a profit of \$0.2m, a turnaround of \$1.3m from the full year loss of (\$1.1m) and a turnaround profit of \$0.7m from the meat segment loss of (\$0.5m) from the first half of 2016-17
- The Health segment has contributed a loss of (\$1.0m), a turnaround of \$0.5m from the full year loss of (\$1.5m) and an additional loss of (\$0.7m) from the health loss of (\$0.3m) from the first half of 2016-17

Review of operations and activities

2.0 Operations

As foreshadowed in our Annual Report, and at our AGM on 22 November 2017, the growth in Group Sales was largely derived from the ramp up of sales in our Dairy Division, as the cheese stocks which we built up during 2016-17 reached maturity (and therefore available for sale) and as milk supply increased (thereby enabling the factory, to increase production and reduce the per unit cost of production).

As we have made the point on numerous occasions, BFC is a Company which has been in start-up (and high growth) mode. We acquired our dairy manufacturing business out of Receivership and invested in three other agri-businesses (meat, seafood and health/nutrition) with a view to transforming those businesses from relatively small, family owned business into globally focussed companies that could achieve economies of scale in their operations and a market share position within each of their areas of specialisation which was of sufficient size as to earn above average rates of return.

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

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

In other words, the typical start-up company experiences net losses at the outset of operations, with these losses increasing as the company spends monies on the implementation of its business plan (such as with product development, establishment or enhancement of production facilities, market development, establishment of distribution channels, securing of patent protection etc.) until it reaches the bottom of the U curve when returns generated from these investments begin to exceed expenditures and net earnings then move up into positive territory. The length of time taken for a start up company to progress from one side of the U curve to the other will vary from company to company and from industry to industry (e.g. it took Apple Inc. 18 years to move across the U curve and turn a profit).

BFC initially sought to avoid this classic U-shape earnings profile by taking on a cornerstone shareholder, from China, at its IPO, who could deliver certain sales, margins and profits while the Company went through its planned three year "build-out" phase. A key assumption in our strategy, as we have explained previously, was that BFC's revenues and earnings during this build-out period would be underpinned by sales commitments made by this cornerstone shareholder. The commitments were supported by letters of assurance and it was reasonably accepted that a significant shareholder would also wish to protect the value of its commercial investment in BFC by honouring its commitments.

When these commitments were not subsequently delivered, for reasons internal to that shareholder, BFC resolved to put alternative arrangements in place to generate sales in China and to proceed with the "build-out" strategy of the overall BFC business (including establishing new brands and marketing these brands in Australia) so as to achieve its objectives and create shareholder value. As a consequence, BFC has carried more costs in the period since listing than initially anticipated (as well as foregoing the revenues initially committed to by the cornerstone shareholder) but fully expects to pick up the benefits of the actions which have been taken as the Company goes forward.

The transformational process in each of the four businesses is now well advanced, as explained below, with the work being most advanced in the Dairy Division. The restructuring of the Meat Division is also very well advanced with BFC now in ownership and control of 100% of the issued shares of Scorpio Food Pty Ltd and actions being implemented to substantially lift revenues and profits in this meat business, as outlined below.

The financial performance of BFC on a Half by Half comparison basis shows the continuing momentum of the business since listing. The First Half of 2018 financial year has produced a result in line with that of a typical start up company that is, a U shape earnings result. Growth in revenue, coupled with the maintenance of healthy margins, has led to improved profitability over the period since listing.

Review of operations and activities

As explained in the Annual Report what we have done, over the past two and a half years since listing, is to put a framework in place for establishing, and growing, a sustainable food business that creates long-term value for our shareholders. The framework embodies the four business divisions or "cells" being dairy, meat, seafood and health/nutrition, and comprises high quality assets in each. The business plans for each division are designed to achieve compounding revenue and profit returns over time through various initiatives, as outlined below.

In developing the business plans for each division, the Board has had a particular focus on, inter alia:

- Ensuring that the management team is driven, and focussed on the "right" objectives
- Driving earnings growth over the longer term
- Maintaining a strong balance sheet
- Putting in place initiatives which can build growing and sustainable revenue and earnings streams over a 3 to 5-year period.
- Investing and re-investing our capital resources into areas of the Company where they can achieve the greatest returns.

The Board has taken the view from inception that the best returns to be achieved for shareholders from the quite unique portfolio of assets that the Company has assembled (and at very attractive prices) would not be derived from applying short-term thinking in the utilisation of these assets, but rather from applying long term, strategic thinking by building out the company through infrastructure development brand and market development, technological innovation and various other related initiatives.

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

2.1 Dairy division

The Dairy business has continued to deliver strong results in the first half of FY 2018 highlighted with Edwards Crossing's aged cheddar being a finalist in Dairy Australia Grand Champion Dairy Awards in the cheddar category, after winning numerous other Awards in Australia and overseas.

Prior to the acquisition of the BFC's dairy factories at Murray Bridge and Jervois, these factories produced only bulk, commodity cheese. The "Edwards Crossing" brand was established by BFC in 2015 and has accumulated over 18 gold and silver medals for quality since this time.

Sales of dairy products have increased by over 45% from the prior comparative period, and represent 91% of the full sales achieved in the 2017 financial year. An additional \$2.0m of sales were secured via binding purchase orders in December to Thailand. However, as the sales were in transit they were not recognised in the period and will be recognised in the second half reporting period. The strong sales have also reduced the inventory built up from the prior financial year (although inventories have again risen, in H1 as more milk is processed into hard cheese and placed into maturation as explained below).

The strong sales and production has enabled the Dairy Division to achieve a profit of \$1.1 million, a turnaround of \$0.8m from the full year dairy profit of \$0.3m and a turnaround profit of \$2.5m from the dairy loss of (\$1.4m) in the first half of 2016-17.

This has been achieved by delivering increased margins, up by 17% on the prior comparative period. In addition, the Group has been focussed on a cost reduction program to compensate for substantial increases in electricity and gas costs (representing an increase of 100% compared to the prior year) and insurance costs (representing an increase of 135% on prior year premiums). The increase in insurance premiums has been driven by an independent valuation of our two Dairy factory assets as part of our annual re-insurance program, resulting in an insurance replacement valuation of \$219m.

With the significant increase in milk supply to an annualised throughput of 90 million litres, commencing with material volumes in the second quarter, inventory has been rebuilt in H1 after the sale of FY17 produced products, thereby providing sufficient stock for ongoing sales in cheddar and related products.

Review of operations and activities

The Dairy Division has been heavily focussed over the period on the installation and commissioning of the new Mozzarella line that went into production on 9th February. The commercialisation of this line will now see strong sales commencing in Mozzarella, particularly in Q4.

Our state-of-the-art Mozzarella plant is one of the most energy efficient and environmentally friendly plants of its type in the world.

The farms in our Dairy Division portfolio (at Mount Gambier, South Australia) have continued to focus on maximising herd output whilst minimising costs. These farms (totalling 3,600 acres) are amongst the largest dairy farms in South Australia. With sustainable practices now embedded, the farms are focussed on maximising the size and output of the herd.=

Production achievements for the half include:

- Sales of over 1,680 tonnes of cheese, an increase of 307% for the pcg;
- Sales of over 1,500 tonnes of whey powder, an increase of 50% on the pcg;
- Sales of 65 tonnes of cream cheese;
- Processing over 450 tonnes of dairy dessert products, LeRice; and
- Milk volume processed of 57mill litres up by 150%, or an increase of 34mill litres on the pcg.

Our inventories of matured cheese which totalled close to \$7 million as at 30 June 2017 were sold down in H1 2017-18 to generate sales revenues. New inventories of cheese (now undergoing maturation for later sale) were built during H1 2017-18 and totalled \$16.4 million as at 31 December 2017.

Work on new product development (NPD) continued apace during H1 which will see the roll out of a number of new innovative dairy based products over the balance of calendar 2018. These new products have been designed specifically for both Australian and overseas retail markets, the first of which is scheduled for release to Australian supermarkets in Q4 of 2017-18.

2.2 Seafood division

The Seafood Division has delivered a profit of \$0.1m, a turnaround of \$0.4m from the full year loss of (\$0.3m) and a turnaround profit of \$0.2m from the seafood loss of (\$0.2m) from the first half of 2016-17.

The beneficial impact of the China Australia Free Trade Agreement is only now starting to become noticeable.

In the first half year Ferguson Australia has secured 'direct to restaurant' customer relationships to compliment historical wholesaler distribution channels. The first half sales were predominately driven by the improved live lobster sales into these new direct sales channels, with improved gross margin together with the leasing of the Lobster licences and property asset rental return. Live lobster sales are increasing significantly in the lead up to Chinese New Year.

Ferguson recently launched a range of Australian wild caught seafood products with 7 SKU's into over 60 Independent Retail Supermarket stores across Australia, and sees the opportunity to expand retail sales of these products into China and South East Asia.

Production achievements for Ferguson's for the half include:

- Sold 228 tonne of live lobster
- Sold 1.2 tonne of giant crabs
- Sold 19 tonne of frozen lobster
- Sold 8 tonne of Kingfish
- Sold 15 tonne of Tuna
- Sold 72 tonne of Ocean Jacket

Review of operations and activities

2.3 Meat division

As foreshadowed at last year's Annual General Meeting (AGM) and in our Annual Report, we have undertaken considerable restructuring of the Scorpio meat business as part of our active management of BFC's portfolio of investments in the food industry.

We announced on 22 November 2017 that we were moving to a 100% shareholding of Scorpio Food Pty Ltd ("Scorpio") through the conversion of existing loans made by BFC to the business. Management control of the business was undertaken on 3 January with final conversion of loans expected on 30 March 2018.

The acquisition of 60% interest in Scorpio which BFC did not previously own and the move to full control represents the final step in a major transformation of the Scorpio business undertaken by Beston Pacific Asset Management Pty Ltd (BPAM) as the Investment Manager of BFC. This transformation has included the following:

- the closure of Scorpio's operations at Colac, Victoria
- the sale of the Colac building
- the transfer of all plant and equipment from Colac to Shepparton, Victoria
- the consolidation, upgrading and expansion of the Scorpio factory at Shepparton
- the appointment of a new Chief Executive of Scorpio Foods, Mr Luke Bramstead to replace Mr Ian Paterson, the former Managing Director of Scorpio who has retired. (Mr Bramstead was previously the Managing Director of Cater Fair, a subsidiary of Top Cut Meats).

The sale of the Colac factory and consolidation of operations at Shepparton has generated a number of substantial benefits:

- significant savings in overheads stemming from elimination of duplicate costs (e.g. insurances, rates and taxes etc.),
- efficiencies in production by having all plant and equipment on the one site, and
- the ability to achieve economies of scale through consolidation of production and longer runs.

Shepparton is a large factory which has its own cold storage facilities and has ample room for expansion of production. The property was originally built to service the local fruit sector and was subsequently refurbished to provide a commercial freezing and storage business. Considerable improvements to the property have been undertaken in recent years by Scorpio (partly to service the needs of nearby customer Campbells Soups) and further refurbishments made in the last three months have significantly increased its productive capacity. As one example, we have already doubled the cooking capacity of the business through utilisation of the existing available space (only about 30% of the factory space at Shepparton had been previously used by Scorpio).

Since the operations of Scorpio were consolidated at Shepparton, the Company has won a number of new contracts, including with Costco Australia who will stock our Yarra Valley brand products in the frozen foods section of their stores across Australia.

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Review of operations and activities

2.4 Health and Nutrition division

BFC's investments in our Health and Nutrition Division consist of an equity interest in the innovative food nutrition company, Neptune Bio-Innovations Pty Ltd, and a controlling interest in high Ph water company, AquaEssence Pty Ltd.

Through the funds raised in BFC's Initial Public Offering, BFC invested \$12.0 million into Neptune Bio-Innovations Pty Ltd (NBI) for a 20% equity interest in the Company.

Neptune Bio-Innovations Pty Ltd (NBI) was established in 2008 to provide scientific and technical services to the food and nutrition industry in Australia and to develop healthy food ingredients for use in reducing sugar, salt and fat in food manufacture. The focus of the company, from 2008 to 2015 was principally on providing B2B solutions for large food manufacturing companies such as with NBI's proprietary natural sweeteners, tenderizers, and reduced sodium and fat products.

Following on from the investment in the company by BFC in September 2015, NBI turned its strategy focus to developing and marketing health products for the retail market which centred on three "wellness" trigger points in the human body:

- The cardiovascular system (heart disease, obesity and hypertension)
- The endocrine system (diabetes and pre-diabetes), and
- The digestive system (gastroenteritis).

The key products developed for these three areas are: "Heart Salt"; "Lo Sal" (cardiovascular); "Sweetin"; "Type 2"; "Sweet and Gentle" (endocrine); and "BioLyte" (digestive/ gastroenteritis).

The aim of NBI, in the past two years, has been to address the emerging public health issues of diabetes, hypertension and obesity (particularly in children) by developing natural plant-based substitutes for the sugar, salt and fat content in food products. Natural alternatives are in high demand and an option that many Governments are backing with regulatory and financial support.

BFC utilises the scientific and technical services of NBI and has developed a number of new products using NBI ingredients such as "Lo Sal" Cheddar Cheese, and "Lo Fat" Cheddar Cheese.

The NBI retail launch of its products into Australian domestic grocery channels commenced in October 2017. The Heart Salt range of products (plain, chicken flavoured and iodised) are now sold by Metcash stores across Australia. NBI's Heart Salt and other health products (17 SKU's in total) are available in over 2000 pharmacies across Australia and are distributed by the three major distributors of pharmaceutical products (Symbion, API, CHS).

A particular focus of NBI's marketing efforts over the past twelve months has been on the Oral Rehydration (ORS) market. The BioLyte product developed by NBI has a unique formulation and delivery system in comparison with the few other ORS products on the market. By December 2017, six months after launch, NBI had captured 1% of the \$140 million pa ORS market in Australia and is aiming to increase this market share significantly over the next twelve months.

Building a presence in the retail and pharmaceutical sector, as opposed to providing ingredients for food manufacture, takes time and requires an on-going commitment to marketing and promotional spend. For this reason, BFC restructured its investment in NBI as at the end of H1 such that BFC's \$12 million equity investment is being converted into a \$5.94 million Put Option and a \$6.06 million Convertible Note with an interest rate of 3.75%. The Convertible Note will convert at the end of a 5-year term, commencing on 28 February 2018 or when NBI delivers an EBITDA profit of \$1.5 million, whichever is the sooner.

The rationale for this restructuring of BFC's investment in NBI is to maintain and protect BFC's investment in the Company, while also ensuring that BFC receives a return on its investment until NBI's earning potential from its domestic pharmacy and grocery channel strategy is able to be realised. The arrangement reflects the active management approach employed by BFC towards its portfolio of investments through its Investment Manager (Beston Pacific Asset Management Pty Ltd), and will allow BFC to continue to support NBI's sales and earnings growth strategy, whilst also ensuring that we deliver a return on this investment to our BFC shareholders.

Review of operations and activities

BFC received earnings of \$1.1 million from NBI in our first-year post listing, i.e. in 2015-16, but booked a loss of \$0.4 million on an equity accounted basis in the following year 2016-17 as a result of NBI changing its strategy progressively from a wholesale focus to a retail focus.

We believe that the prospects for NBI in the twelve months ahead, and in subsequent years, are strong and promising.

As a result of the research conducted by NBI in recent years, part of which was undertaken in Brunei, NBI will launch two new pharmaceutical products during 2018 - one for urinary tract infections (UTI) and the other for diabetes. The UTI product is derived from Turmeric and has recently completed very successful clinical trials, without the side-effects induced by many of the prescription-based drugs used to treat UTI.

Several extensions of the existing products will also be released to the market, such as an effervescent formulation of NBI's oral rehydration product.

In view of the impending change to the Federal Government's regulations relating to the use of medicinal cannabis in Australia, NBI has applied for a licence to manufacture medicinal cannabis. The facilities operated by NBI already meet the compliance requirements of the Therapeutic Goods Administration (TGA) for a number of TGA approved health products and have an established record for safety, hygiene and security in the manufacture of these products. The application is expected to take around 6 to 8 months in assessment. Currently, there is no TGA approved facility in Australia for the manufacture of medications containing cannabinoids for specific disease states, and until that occurs, such medicinal cannabis products will be imported from other countries.

NBI has entered into supply agreements with two licensed growers of cannabis in NSW and Victoria for the supply of the raw materials for the manufacture of medicinal cannabis, if the licence is approved. The Company has also formulated its product around a delivery system based on milk powder produced by BFC, versus the traditional delivery system for medicinal cannabis which uses primarily sucrose.

So as to enable BFC shareholders to become familiar with some of the proprietary products developed and sold by NBI, we have arranged for a sample box of NBI products to be made available to our shareholders at no cost. Any shareholder who would like to receive a sample box, please send an email to NBIsample@bestonglobalfoods.com.au and a box will be shipped to you at your nominated address.

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Review of operations and activities

2.5 Technologies division

At the time of launching BFC onto the Australia Securities Exchange, we noted that the traditional model that had served the food industry so well for 200 years would no longer provide for its needs over the next 20 years.

The reason, principally, was that consumers were changing in the way that they approached their needs when shopping for food. They were becoming more concerned about the nature of the ingredients in the food they were looking to buy, more concerned about where those ingredients came from and certainly more concerned about food fraud (i.e. whether a food or beverage product was true to its label).

In order to meet the increasing expectations of food consumers BFC developed a technology known as OZIRIS which could track-and-trace the ingredients in food products, and their source. The OZIRIS technology was built on the back of the Brandlok anti-counterfeiting technology developed over a period of years by Grape Ensembles Pty Ltd, in conjunction with DataDot Technology Ltd (DDT).

The platform of services offered by Beston Technologies Pty Ltd (BT) comprises the following components:

- OZIRIS (utilising Brandlok) - provides consumer software, product hardware and supplier/ distributor hardware,
- Technology Eco-System (TES) - provides central database, customer management, inventory management, fulfillment, reporting and analytics, and supplier portal,
- Beston Marketplace and 8ston - provides an e-commerce platform for the sale of BFC and other food and beverage products in Australia and China.

The OZIRIS/ Brandlok technologies were developed after an extensive search around the world to ascertain whether such technologies were already in existence and bought off the shelf. The search found that they did not. As a result, the technologies developed by BT have won 12 patents or patents pending. While technological advances have long been applied at the production end of agriculture (such as with the stump jump plough in the 1900s), they have not until very recently been applied at the consumer end of the supply chain.

The technological innovations developed by BFC, in its Beston Technologies division is being accompanied by innovations in other parts of the supply chain such as with digital ordering (e.g. in Dominos and Pizza Hut) and faster, temperature-controlled delivery services (such as with Amazon Echo or Uber Eats).

The Board of BFC recognised early on in 2017 that the technologies developed within Beston Technologies would have wide appeal to other food companies, outside of BFC as well as in other industries. The nature of the technologies also meant that Beston Technologies was also fast developing into a Big Data Company as it collected important market information on customers buying products on its Beston Marketplace e-commerce site and using OZIRIS/ Brandlok to verify the integrity and authenticity of products being purchased.

The Board also acknowledged that the core business of BFC was food production - not technology.

For these reasons, as explained to Shareholders at the AGM, it decided to divest BT, in a way which provides both a capital return on the Company's investment in BT and an ongoing earnings stream.

The announcement on 16 February 2018 of a proposed merger of BT with DataDot Technologies Ltd is, in the view of the BFC Board, an ideal way of achieving both of these objectives as well as enabling BT to realise its full potential without further investment by BFC.

The proposed merger terms values BT at \$13.0 million and will provide BFC with a beneficial interest of approximately 41% in DDT. On this basis BFC expects to book a profit on the transaction in the range of \$8 million to \$10 million (subject to any adjustments for accounting standards and tax provisions) should the transaction proceed to completion.

Review of operations and activities

2.6 International division

As detailed at the 2017 Annual General Meeting (AGM) and in our Annual Report, we have undertaken considerable restructuring and re-positioning of the China business. The sales team delivered on our strategic objective of 'building BFC Brands in China retail' by successfully executing retail sales of BFC own branded cheese (Grange Peak), milk (Beston Pure), beef (Beston Pure), water (Ei8ht) in addition to wine into over 300+ retail stores across Shanghai, Beijing, Shenzhen, Guangzhou and Fuzhou.

BFC brands are now listed with some of the largest Chinese retail chains, such as Hema, RT Mart, Greenland, Lotus, and CityShop.

The market strategy for building BFC brands into retail channels in China has proven to be successful, in a relatively short time, and our brands are now recognised by many of the major distributors in China. With this strategy in place, and with a combination of continued retail sales and distribution sales, BFC expects sales volumes in China to continue to increase over the second Half.

The sales operation in Thailand expanded our retail presence with the launch of Edwards Crossing natural Cheese range into Rimping Supermarket chains across Chiangmai which builds on the existing distribution reach which we have already achieved with our Kyubu product in Thailand.

The establishment of our Malaysia office was successfully completed in August 2017 enabling us to increase our local support to our existing Malaysian distributors to expand on our existing retail brands.

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Directors' report

Your Directors present their report on the Consolidated Entity consisting of Beston Global Food Company Limited and the entities it controlled at the end of, or during, the half-year 31 December 2017. Throughout the report, the Consolidated Entity is referred to as the Group.

Directors

The following persons held office as Directors of Beston Global Food Company Limited during the financial period:

R Sexton (Chairman)
S Gerlach
P Coventry
J Kouts
I McPhee
C Cooper

Principal activities

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

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

Dividends

There were no dividends provided for during the half-year ended 31 December 2017 (31 December 2016: 0.60 cents).

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 page 1.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the period, not otherwise disclosed in this report.

Events since the end of the financial period

No matter or circumstance has occurred subsequent to 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.

Auditor's independence declaration

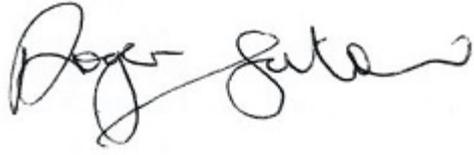
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/91, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

Directors' report

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

A handwritten signature in black ink, appearing to read 'R N Sexton', written over a light grey rectangular background.

R N Sexton
Chairman

Adelaide
27th February 2018

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Auditor's Independence Declaration to the Directors of Beston Global Food Company Limited

As lead auditor for the review of Beston Global Food Company for the half-year ended 31 December 2017, 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; and
- (b) no contraventions of 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

BJ Pollock
Partner

Melbourne
27 February 2018

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Consolidated statement of comprehensive income
For the half-year 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Revenue from continuing operations			
Sale of goods		18,342	9,951
Other revenue		852	510
	4	<u>19,194</u>	<u>10,461</u>
Other income	5	1,517	577
Expenses			
Cost of sales of goods		(11,503)	(8,646)
Other expenses from ordinary activities			
Selling and distribution		(3,124)	(1,606)
Administration		(9,254)	(6,026)
Other		(734)	(550)
Profit/(loss) from operations		<u>(3,904)</u>	<u>(5,790)</u>
Finance income		502	639
Finance expenses		(92)	(147)
Net finance income	6	<u>410</u>	<u>492</u>
Share of profit/(loss) from associates		(22)	(151)
Profit/(loss) before income tax		<u>(3,516)</u>	<u>(5,449)</u>
Income tax benefit	7	455	1,728
Profit/(loss) for the period		<u>(3,061)</u>	<u>(3,721)</u>
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		303	112
Other comprehensive income/(loss) for the period, net of tax		<u>303</u>	<u>112</u>
Total comprehensive income/(loss) for the period		<u>(2,758)</u>	<u>(3,609)</u>
Profit/(loss) is attributable to:			
Owners of Beston Global Food Company Limited		(2,958)	(3,663)
Non-controlling interests		(103)	(58)
		<u>(3,061)</u>	<u>(3,721)</u>
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Beston Global Food Company Limited		(2,655)	(3,552)
Non-controlling interests		(103)	(57)
		<u>(2,758)</u>	<u>(3,609)</u>

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

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Consolidated statement of comprehensive income
For the half-year ended 31 December 2017

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	19	(67.0)	(90.0)
Diluted earnings per share	19	(67.0)	(90.0)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	19	(67.0)	(90.0)
Diluted earnings per share	19	(67.0)	(90.0)

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

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Consolidated balance sheet
As at 31 December 2017

		31 December 2017 \$'000	30 June 2017 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		5,204	28,702
Trade and other receivables	8	34,327	18,605
Inventories		25,293	11,660
Assets classified as held for sale		-	1,999
Total current assets		<u>64,824</u>	<u>60,966</u>
Non-current assets			
Receivables		5,503	977
Investments accounted for using the equity method	17	16,253	16,275
Property, plant and equipment		50,992	44,224
Biological assets		4,401	4,400
Deferred tax assets		6,206	5,899
Intangible assets		13,531	13,568
Total non-current assets		<u>96,886</u>	<u>85,343</u>
Total assets		<u>161,710</u>	<u>146,309</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	27,635	9,818
Employee benefit obligations		193	137
Total current liabilities		<u>27,828</u>	<u>9,955</u>
Non-current liabilities			
Deferred tax liabilities		2,456	2,189
Employee benefit obligations		44	25
Total non-current liabilities		<u>2,500</u>	<u>2,214</u>
Total liabilities		<u>30,328</u>	<u>12,169</u>
Net assets		<u>131,382</u>	<u>134,140</u>
EQUITY			
Contributed equity	11(a)	147,535	147,535
Other reserves	11(b)	(179)	(482)
Retained earnings		(16,556)	(13,598)
Capital and reserves attributable to owners of the Company		<u>130,800</u>	<u>133,455</u>
Non-controlling interests		582	685
Total equity		<u>131,382</u>	<u>134,140</u>

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

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Beston Global Food Company Limited
 Consolidated statement of changes in equity
 For the half-year ended 31 December 2017

Notes	Attributable to owners of Beston Global Food Company Limited			Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Other reserves \$'000	Accum- ulated losses \$'000			
Balance at 1 July 2016	113,472	5,569	(2,819)	116,222	943	117,165
Profit/(loss) for the half-year	-	-	(3,663)	(3,663)	(58)	(3,721)
Other comprehensive income/(loss)	-	111	-	111	1	112
Total comprehensive income for the period	-	111	(3,663)	(3,552)	(57)	(3,609)
Transactions with owners in their capacity as owners:						
Exercise of Founders' Rights	5,608	(5,608)	-	-	-	-
Contributions of equity, net of transaction costs and tax	28,217	-	-	28,217	-	28,217
Dividends paid	-	-	(2,179)	(2,179)	-	(2,179)
	33,825	(5,608)	(2,179)	26,038	-	26,038
Balance at 31 December 2016	147,297	72	(8,661)	138,708	886	139,594
Balance at 1 July 2017	147,535	(482)	(13,598)	133,455	685	134,140
Profit/(loss) for the half-year	-	-	(2,958)	(2,958)	(103)	(3,061)
Other comprehensive income/(loss)	-	303	-	303	-	303
Total comprehensive income for the period	-	303	(2,958)	(2,655)	(103)	(2,758)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	-	-	-	-	-	-
Balance at 31 December 2017	11 147,535	(179)	(16,556)	130,800	582	131,382

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

Beston Global Food Company Limited
 Consolidated statement of cash flows
 For the half-year ended 31 December 2017

	31 December 2017	31 December 2016
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	7,647	17,823
Payments to suppliers and employees (inclusive of goods and services tax)	(24,249)	(21,464)
Interest received	252	345
Interest paid	(104)	(22)
Net cash (outflow) from operating activities	(16,454)	(3,318)
Cash flows from investing activities		
Payments for acquisition of businesses, net of cash acquired	-	(764)
Proceeds from sale of business	(104)	-
Payments for property, plant and equipment	(7,637)	(2,515)
Payments for intangible assets	(246)	(505)
Payments for livestock	(153)	(348)
Proceeds from sale of property, plant and equipment	1,999	-
Proceeds from sale of livestock	169	219
Advances and redemptions of convertible notes	-	(300)
Loans to related parties	(1,525)	(250)
Net cash (outflow) from investing activities	(7,497)	(4,463)
Cash flows from financing activities		
Proceeds from issue of shares	-	28,823
Transaction costs on issue of shares	-	(545)
Dividends paid to Company's shareholders	-	(2,179)
Proceeds from government grants	440	365
Loans from related parties	(213)	8
Net cash inflow from financing activities	227	26,472
Net (decrease) increase in cash and cash equivalents	(23,724)	18,691
Cash and cash equivalents at the beginning of the financial year	28,702	19,372
Effects of exchange rate changes on cash and cash equivalents	226	96
Cash and cash equivalents at end of period	5,204	38,159

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

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1 Basis of preparation of half-year report

This interim report for the half-year reporting period ended 31 December 2017 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 2017 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period commencing on 1 July 2017, and have not been early adopted by the Group.

While the Group has yet to make a detailed assessment of the impact of these new standards, the Group does not expect there to be a material impact for the Group's assets, liabilities, or revenue from customers.

2 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated impairment of goodwill

The Group assesses at the end of each reporting period whether there is objective evidence that an asset or a group of assets is impaired. For the purpose of the assessment, 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).

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions with regards to each cash-generating unit.

(ii) Estimated impairment of investments accounted for using the equity method

The Group tests equity accounted investments for impairment on a half-yearly basis and when circumstances indicate the carrying value may be impaired. The recoverable amounts of equity accounted investments have been determined based on value-in-use calculations. These calculations require the use of assumptions with regards to each equity accounted investment.

(iii) Recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable the future taxable profit will be available to utilise those temporary differences. 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 assets that can be recognised, based on the likely timing and level of future taxable profits.

3 Segment information

The Group's Executive Management Committee, consisting of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Technology Officer, examines the Group's performance both from a product and geographic perspective and has identified five reportable segments of its business:

(a) Description of segments

- The Dairy division which owns farms and production plants and uses milk to produce cheese and other dairy products.
- The Seafood division is focused on sourcing and supplying high quality seafood to the markets.
- The Health division targets innovative products for health conscious markets.
- The Meat division brings high quality and innovative meat products to expanding markets.
- The Distribution division creates relationships and digital platforms with both local and offshore parties to distribute products.

No operating segments have been aggregated to form the reportable operating segments.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(b) Segment reports

The segment information provided to the Executive Management Committee for the reportable segments for the half-year ended 31 December 2017 is as follows:

Half-year ended 31 December 2017	Dairy \$'000	Seafood \$'000	Health \$'000	Meat \$'000	Distribution \$'000	Adjustments and		Total \$'000
						Total segments \$'000	eliminations \$'000	
Revenue								
External customers	17,697	-	437	103	105	18,342	-	18,342
Other revenue	467	203	30	-	-	700	152	852
Other income	64	11	11	11	-	97	1,420	1,517
Finance income	3	-	27	213	-	243	259	502
Share of profit/(loss) from associates	-	(22)	-	-	-	(22)	-	(22)
Total revenue	18,231	192	505	327	105	19,360	1,831	21,191
Expenses								
Cost of sales	(10,736)	-	(331)	(87)	(103)	(11,257)	(246)	(11,503)
Selling and distribution	(611)	(59)	(390)	(14)	(57)	(1,131)	(1,993)	(3,124)
Administration	(5,241)	(58)	(764)	(9)	(193)	(6,265)	(2,989)	(9,254)
Other expenses	(516)	-	-	-	(39)	(555)	(179)	(734)
Finance costs	(11)	-	(27)	-	17	(21)	(71)	(92)
Total expenses	(17,115)	(117)	(1,512)	(110)	(375)	(19,229)	(5,478)	(24,707)
Segment profit/(loss)	1,116	75	(1,007)	217	(270)	131	(3,647)	(3,516)

3 Segment information

(b) Segment reports (continued)

The segment information provided to the Executive Management Committee for the reportable segments for the half-year ended 31 December 2016 is as follows:

Half-year ended 31 December 2016	Dairy \$'000	Seafood \$'000	Health \$'000	Meat \$'000	Distribution \$'000	Total segments \$'000	Adjustments and eliminations \$'000	Total \$'000
Revenue								
External customers	12,192	252	306	542	169	13,461	(3,510)	9,951
Other revenue	307	203	-	-	-	510	-	510
Other income	532	15	15	15	-	577	-	577
Finance income	268	-	-	136	-	404	235	639
Share of profit/(loss) from associates	-	(82)	(69)	-	-	(151)	-	(151)
Total revenue	13,299	388	252	693	169	14,801	(3,275)	11,526
Expenses								
Cost of sales	(10,116)	(226)	(92)	(576)	(170)	(11,180)	2,534	(8,646)
Selling and distribution	(537)	(72)	(169)	(138)	(170)	(1,086)	(520)	(1,606)
Administration	(3,770)	(219)	(274)	(389)	(256)	(4,908)	(1,118)	(6,026)
Other expenses	(196)	(29)	(14)	(60)	(4)	(303)	(247)	(550)
Finance costs	(69)	(56)	-	-	-	(125)	(22)	(147)
Total expenses	(14,688)	(602)	(549)	(1,163)	(600)	(17,602)	627	(16,975)
Segment profit/(loss)	(1,389)	(214)	(297)	(470)	(431)	(2,801)	(2,648)	(5,449)

The information on segment assets and liabilities provided to the Executive Management Committee for the reportable segments as at 31 December 2017 and 30 June 2017 is as follows:

	Dairy \$'000	Seafood \$'000	Health \$'000	Meat \$'000	Distribution \$'000	Total segments \$'000	Adjustments and eliminations \$'000	Total \$'000
As at 31 December 2017								
Total segment assets	190,228	17,014	19,415	9,080	9,306	245,043	(83,333)	161,710
Including: Capital expenditure	7,206	-	79	-	-	7,285	542	7,827
Total segment liabilities	(105,084)	(11,513)	(3,028)	(2,351)	(7,353)	(129,329)	99,001	(30,328)
As at 30 June 2017								
Total segment assets	145,804	17,385	20,799	7,182	8,023	199,193	(52,884)	146,309
Including: Capital expenditure	7,921	-	404	-	-	8,325	-	8,325
Total segment liabilities	(72,597)	(9,932)	(2,738)	(2,598)	(6,453)	(94,318)	82,149	(12,169)

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4 Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Sales revenue	18,342	9,951
<i>Other revenue</i>		
Leasing income	162	510
Management fees	690	-
	852	510
Total revenue	19,194	10,461

5 Other income

	31 December 2017 \$'000	31 December 2016 \$'000
Net gain/(loss) on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the engineering division)	1,428	-
Fair value adjustment to biological assets	-	503
Government grants	43	14
Other items	46	60
	1,517	577

6 Net finance income

	31 December 2017 \$'000	31 December 2016 \$'000
<i>Finance income</i>		
Interest income	502	639
<i>Finance costs</i>		
Finance charges paid for financial liabilities	(104)	(22)
Net exchange losses on foreign currency borrowings	12	(125)
	(92)	(147)
Net finance income	410	492

7 Income tax

(a) Income tax

	31 December 2017 \$'000	31 December 2016 \$'000
Current tax	-	(459)
Deferred tax	(455)	(1,269)
Income tax benefit	(455)	(1,728)

Income tax expense is attributable to:
Profit from continuing operations

(455)	(1,728)
-------	---------

(b) Tax losses

	31 December 2017 \$'000	31 December 2016 \$'000
Unused tax losses for which no deferred tax asset has been recognised	2,665	1,417
Potential tax benefit @ 30.0%	800	425

8 Trade and other receivables

	31 December 2017 \$'000	30 June 2017 \$'000
Current assets		
Trade receivables	24,613	7,512
Convertible notes receivable	2,748	2,748
Other receivables	772	504
Prepayments	2,747	4,107
Goods and services tax (GST) receivable	3,447	3,734
	<u>34,327</u>	<u>18,605</u>

(a) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

(b) Milk swap arrangement

During the period, the Group significantly increased its production of dairy, specifically cheddar production, in line with their budgeted segment growth. This required significant increase in supply of milk through the Group's milk swap arrangement with Warrnambool Cheese & Butter Factory Co Holdings Ltd and resulted in a considerable increase in the Trade receivables balance to \$12.0m and Trade payables balance to \$10.9m at 31 December 2017 (30 June 2017: \$0.5m and \$0.0m respectively).

These amounts are presented gross within the balance sheet due to their being no right to offset, and are settled on an annual basis.

9 Non-financial assets and liabilities

(a) Property, plant and equipment

During the half-year ended 31 December 2017, the Group acquired assets with a cost of \$7.8m (half-year ended 31 December 2016: \$2.5m).

(b) Intangible assets

(i) Acquisitions and disposals

During the half-year ended 31 December 2017, the Group acquired assets with a cost of \$0.4m (half-year ended 31 December 2016: \$0.5m).

(ii) Impairment tests for goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are tested for impairment annually as part of their cash generating units and when circumstances indicate their carrying value may be impaired. At 31 December 2017, there have been no indicators of impairment present.

10 Trade and other payables

	31 December 2017 \$'000	30 June 2017 \$'000
Trade payables	21,017	4,607
Amounts due to associates	68	213
Goods and services tax (GST) payable	1,696	1,930
Accrued expenses	1,377	1,243
Government grants	336	120
Payroll liabilities	406	411
Other payables	2,735	1,294
	<u>27,635</u>	<u>9,818</u>

(a) Milk swap arrangement

During the period, the Group significantly increased its production of dairy, specifically cheddar production, in line with their budgeted segment growth. This required significant increase in supply of milk through the Group's milk swap arrangement with Warrnambool Cheese & Butter Factory Co Holdings Ltd and resulted in a considerable increase in the Trade receivables balance to \$12.0m and Trade payables balance to \$10.9m at 31 December 2017 (30 June 2017: \$0.5m and \$0.0m respectively).

These amounts are presented gross within the balance sheet due to their being no right to offset, and are settled on an annual basis.

11 Contributed equity

(a) Share capital

	31 December 2017 Notes	30 June 2017 Shares	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares - fully paid	443,315,867	443,315,867	147,535	147,535

(b) Other reserves

	31 December 2017 \$'000	30 June 2017 \$'000
Share-based payments	9	9
Foreign currency translation	(188)	(491)
	<u>(179)</u>	<u>(482)</u>

12 Commitments

(a) Non-cancellable operating leases

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

	31 December 2017 \$'000	30 June 2017 \$'000
Within one year	5	239
Later than one year but not later than five years	10	126
	<u>15</u>	<u>365</u>

(b) Lease commitments: Group as lessee

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

	31 December 2017 \$'000	30 June 2017 \$'000
Within one year	53	74
Later than one year but not later than five years	71	98
	<u>124</u>	<u>172</u>

13 Contingencies

The Group had no contingent assets or liabilities at 31 December 2017 (2016: nil).

14 Dividends

Ordinary shares

There were no dividends provided during the half-year ended 31 December 2017 (31 December 2016: \$2,179,446) (0.60 cents per fully paid share).

15 Related party transactions

(a) Transactions with related parties

	31 December 2017 \$	31 December 2016 \$
<i>Sales of goods and services</i>		
Sales of goods to investee entities	223,240	133,468
Remuneration received for directors services	30,000	60,000
Interest income from investee entities	221,120	389,718
Leasing income from investee entities	202,945	202,945
<i>Purchases of goods and services</i>		
Purchases of various goods and services from related parties	(2,051,273)	(1,814,855)
Management fees to the Investment Manager	(1,168,727)	(1,161,426)
Reimbursement to Investment Manager for capital raising costs	-	(545,344)

(b) Receivables/(payables) with related parties

	31 December 2017 \$	30 June 2017 \$
<i>Outstanding balances arising from sales and purchases of goods and services</i>		
Current receivables	2,608,171	1,032,472
Current payables	(144,819)	(272,552)
<i>Loans receivable from related parties</i>		
Beginning of the year	32,503	32,503
Loans advanced	1,775,428	250,000
Loans converted to sales proceeds	-	(250,000)
End of period	<u>1,807,931</u>	<u>32,503</u>

(c) Terms and conditions

For details on the terms and conditions on transactions with the Investment Manager and other related parties, refer to the 30 June 2017 Annual Report.

For the half-year ended 31 December 2017, the Investment Manager was not entitled to receive a performance fee in respect of the Company's out-performance of the benchmark index.

16 Business combination and disposal

(a) Summary of disposal

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

(b) Sale consideration

	31 December 2017
Loan Consideration:	
Beston Global Food Company (Dalian) Limited	\$3,896,441
New Benefit International Investment Limited	\$1,800,000
less: unwind of Foreign currency Translation Reserve	(\$88,751)
Less: Assets disposed	
Cash	(\$104,095)
Accounts Receivable	\$380,127
Other Receivables	(\$1,472,039)
Prepayments	(\$167,509)
Inventory	(\$3,301,125)
Property, Plant & Equipment	(\$35,741)
Deferred Tax Asset	(\$415,332)
Add: Liabilities disposed	
Accounts Payable	\$17,848
Payroll Liabilities	\$26,972
Other Payables	\$882,622
	<u>\$882,622</u>
Gain on disposal of Entity	<u>(\$1,419,418)</u>

17 Interests in associates

Name of entity	Country of incorporation and operation	Ownership interest		Measurement method	Carrying value	
		December 2017	June 2017		December 2017	June 2017
		%	%		\$'000	\$'000
Ferguson Australia Pty Ltd	Australia	32	32	Equity method	4,695	4,716
Neptune Bio-Innovations Pty Ltd	Australia	20	20	Equity method	11,558	11,558
Total equity accounted investments		52			16,253	16,274

Neptune Bio-Innovations Pty Ltd provide financial information annually, thus there has been no change to the carrying value during the half-year ended 31 December 2017

18 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to 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.

19 Earnings per share

(a) Basic earnings per share

	31 December 2017 Cents	31 December 2016 Cents
From continuing operations attributable to the ordinary equity holders of the Company	<u>(67.0)</u>	(90.0)
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>(67.0)</u>	(90.0)

(b) Diluted earnings per share

	31 December 2017 Cents	31 December 2016 Cents
From continuing operations attributable to the ordinary equity holders of the Company	<u>(67.0)</u>	(90.0)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>(67.0)</u>	(90.0)

(c) Weighted average number of shares used as denominator

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<u>443,315,867</u>	408,130,823

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Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 27 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) complying with International Financial Reporting Standards, as disclosed in note 1, and
 - (iii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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
27th February 2018

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

Report on the Half-Year Financial Report

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 balance sheet as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 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*.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



BJ Pollock
Partner

Melbourne
27 February 2018

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