

Appendix 4E

Final Report

For the Year Ended 30 June 2017

Beyond International Limited

ACN 003 174 409

This final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

Current Reporting Period:

Financial year ended 30 June 2017

Previous Corresponding Period:

Financial year ended 30 June 2016

Appendix 4E

Final Report

| | |
|---|------------------------------|
| Name of Entity | BEYOND INTERNATIONAL LIMITED |
| ABN | 65 003 174 409 |
| Financial Year Ended | 30 JUNE 2017 |
| Previous Corresponding Reporting Period | 30 JUNE 2016 |

Results for Announcement to the Market

Results for Announcement to the Market

| | | |
|--|----------------------|--|
| | \$'000 | Percentage increase /(decrease) over previous corresponding period |
| Revenue from ordinary activities | 86,312 | down 15.1% |
| Loss from ordinary activities after tax attributable to members | (7,469) | NMF* |
| Net loss for the period attributable to members | (7,469) | NMF |
| Dividends (distributions) | Amount per security | Franked amount per security |
| Interim Dividend | 2.00 cents per share | NIL |
| Final Dividend | 0.00 cents per share | NIL |
| Previous corresponding period | | |
| Interim Dividend | 5.00 cents per share | NIL |
| Final Dividend | 5.00 cents per share | 10% |
| Record date for determining entitlements to the dividends (if any) | N/A | |
| Brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to release | | |

- NMF – Not a meaningful number

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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Dividends

| | |
|--|-----|
| Date the dividend is payable | N/A |
| Record date to determine entitlement to the dividend | N/A |
| Amount per security | N/A |
| Total dividend | N/A |
| Amount per security of foreign sourced dividend or distribution | N/A |
| Details of any dividend reinvestment plans in operation | N/A |
| The last date for receipt of an election notice for participation in any dividend reinvestment plans | N/A |

NTA Backing

| | Current Period | Previous corresponding period (Restated) |
|--|----------------|--|
| Net tangible asset backing per ordinary security | 44.37 cents | 61.37 cents |

Associates or Joint Ventures

| | |
|-----------------------------|--|
| 7Beyond Media Rights Ltd | 50% JV with Seven Network (Operations) Ltd |
| Melodia Limited | 33.33% |
| Melodia (Australia) Pty Ltd | 33.33% |
| GB Media, Inc | 10% |



| | JUNE 2017 \$,000 | JUNE 2016 \$,000 | Variance \$,000 | % |
|--|-----------------------------------|-----------------------------------|----------------------------------|----------|
| Operating Revenue | 86,312 | 101,638 | (15,326) | (15.1%) |
| Expenses | (94,507) | (96,085) | 1,578 | (1.6%) |
| EBIT | (8,195) | 5,553 | (13,748) | NMF |
| Net Interest Income/(Expense) | (139) | 51 | (190) | NMF |
| Profit/(Loss) Before Tax | (8,334) | 5,604 | (13,938) | NMF |
| Tax Benefit/(Expense) | 997 | (287) | 1,284 | (447.4%) |
| Profit/(Loss) After Tax | (7,337) | 5,317 | (12,654) | NMF |
| Minority Interests | (132) | - | (132) | - |
| Profit/(Loss) After Tax attributable to members | (7,469) | 5,317 | (12,786) | NMF |

| Additional Information | Cents | Cents | Variance Cents | % |
|---|--------------|--------------|---------------------------------|----------|
| EPS (cents per share) | (12.18) | 8.67 | (20.8) | NMF |
| Dividends per Share (cents) | 2.00 | 10.00 | (8.0) | (80.0%) |
| NTA (cents per share) - Restated | 44.37 | 61.37 | (17.0) | (27.7%) |

FINANCIAL PERFORMANCE FOR THE 12 MONTH PERIOD TO 30TH JUNE 2017

- Operating revenue decreased by 15% to \$86,312,000;
- EBIT before non-recurring adjustments for the period of \$1,819,000;
- Net loss after tax and before outside equity interests of \$7,337,000;
- Cash flows from operating activities increased by 14.8% to \$5,887,000 from \$5,127,000;
- After allowing for investments and dividends, cash before borrowings decreased by \$4,505,000.
- A \$6,000,000 bill facility was negotiated to fund tax rebates. The facility was drawn to \$5,744,000 as at 30 June 2017.
- Cash at bank as at 30 June 2017 was \$7,645,000, an increase of \$1,266,000.

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REVIEW OF OPERATIONS BY SEGMENT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

| | 30 Jun 2017 \$,000 | 30 Jun 2016 \$,000 | Variance \$,000 | Variance % |
|--|-----------------------|-----------------------|--------------------|----------------|
| Revenue | | | | |
| Productions & Copyright | 50,971 | 38,371 | 12,600 | 32.8% |
| Home Entertainment | 2,113 | 24,894 | (22,782) | (91.5%) |
| Distribution | 21,877 | 25,843 | (3,966) | (15.3%) |
| Digital Marketing | 10,549 | 12,470 | (1,921) | (15.4%) |
| Other Revenue | 803 | 60 | 743 | NMF |
| Total Revenue | 86,312 | 101,638 | (15,326) | (15.1%) |
| OPERATING EBIT | | | | |
| Productions & Copyright | 7,566 | 9,964 | (2,398) | (24.1%) |
| Home Entertainment | 429 | 1,526 | (1,097) | (71.9%) |
| Distribution | 845 | 2,020 | (1,175) | (58.2%) |
| Digital Marketing | (722) | (292) | (430) | NMF |
| Corporate | (5,702) | (6,079) | 377 | 6.2% |
| 7Beyond Joint Venture | (55) | (404) | 349 | 86.4% |
| Foreign Exchange Gain / (Loss) | (542) | (494) | (48) | (9.7%) |
| Operating EBIT | 1,819 | 6,241 | (4,422) | (70.9%) |
| Non Operating or Non Recurring Items: | | | | |
| Productions & Copyright | - | (91) | 91 | 100.0% |
| Home Entertainment | (8,611) | - | (8,611) | - |
| Distribution | (373) | (350) | (23) | (6.6%) |
| Digital Marketing | (607) | - | (607) | - |
| Corporate | (423) | (247) | (176) | (71.3%) |
| EBIT | (8,195) | 5,553 | (13,748) | NMF |

1. Television Productions and Copyright Segment

Segment revenue increased by \$12,600,000 or 32.8% to \$50,971,000 compared to the prior year. In the financial year ended 30 June 2017, the Company experienced an increase in the number of projects in production. During the 2017 financial year, 137 hours of television commenced production, including 60 hours commissioned by US broadcasters. In addition, the Company was involved in a further \$20,300,000 of production in relation to Beat Bugs and Motown animation projects during the 2017 financial year. The revenues and costs relating to these projects are not recognised in the Company's accounts.

The segment EBIT of \$7,566,000 was 24.1% lower than the \$9,964,000 reported in the 2016 financial year. The decline in EBIT was due to lower copyright revenues which declined by \$2,202,000 to \$4,301,000 compared to FY2016.

Broadcast commissions from USA based platforms produced during the period include returning series *Deadly Women* series 11, and season 11 of *Mythbusters* with new hosts. New titles

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commissioned for production include *RMD Garage*, *Teen Spirit*, a third season of *My Lottery Dream Home*, and *Six Second Pranks* for 7Beyond. A second season of the animation series *Beat Bugs* was also commenced as was the first season of the provisionally titled *Motown Magic*, an animated children's series for Netflix and Seven Network, with Beyond only recognising production fees paid to it as revenue. The first season of *Beat Bugs* and *The White Rabbit Project* were delivered to Netflix during the financial year.

Australian program commissions during the period included season 10 and 11 of *Selling Houses Australia*, the first series of *Love It Or List It Australia*, *Pulse*, a new drama for the ABC, *Nippers*, the *2017 Santos Tour Down Under* and *A Team Of Champions*.

The strategic focus for the coming 12 months includes:

- ◆ targeting buyers who value our ability to co-produce;
- ◆ strengthening relationships with “new media” outlets, including SVOD and social platforms;
- ◆ capitalizing on strong relationships with existing clients and within our proven genre strengths; and
- ◆ early adoption of new technology to gain market leadership and reputation. This includes the production of Ultra High Definition (4k) content as well as Virtual Reality content to augment linear content production.

2. Home Entertainment Segment (BHE)

Revenue has been impacted by a move to consignment trading and comparisons to the prior financial year are not meaningful.

Excluding the transition to consignment and other non-recurring expenditure, the underlying result for BHE in the fiscal 2017 period was revenue of \$15,250,000 (2016: \$24,894,000) and EBIT of \$429,000.

In fiscal year 2017, BHE reached agreement with a number of customers to adopt consignment based trading terms. The impact of this change on BHE's operations in the period, was to buy-back all inventory previously sold to those customers. BHE terms of trade are now on a consignment basis with all significant customers and aligned with the trading terms of the majority of the distributors in the home entertainment industry. Under a consignment trading agreement, goods are supplied to the wholesale customer at 'no charge' with revenues being recorded upon sale of those goods to the retail customer. At the completion of the transaction the standard wholesale price is remitted to BHE.

As a consequence of the transition to consignment trading terms, BHE recorded a loss of \$8,182,000 in the fiscal 2017 year compared to EBIT of \$1,526,000 in the 2016 year.

The total physical DVD market contracted 17% for the twelve-months ending 30 June 2017 as a segment of the home entertainment market transitions to subscription and streaming television services.

With the transition to consignment fully completed, BHE is placed to return to profitability in the 2018 fiscal year. To complement our existing portfolio of content, BHE in fiscal 2018 will launch the following event programming: -

- ◆ Blue Murder: Killer Cop - a two-part Australian mini-series based on the portrayal of Australia's most notorious former detective, Roger Rogerson;
- ◆ Pokémon the Movie 20: I Choose You!;

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- ◆ Secret Daughter Season 2 - an Australian drama television series set to screen on the Seven Network in 2017 starring Jessica Mauboy; and
- ◆ The 2017 AFL and NRL Grand Finals.

3. Distribution TV and Film Segment

Revenue reduced by \$3,966,000 or 15.3% to \$21,877,000 compared to the corresponding 2016 period. EBIT before impairment charges declined 58% to \$845,000 compared to \$2,020,000 in the corresponding 2016 period.

Lower EBIT was a result of the reduction in sales offset by a reduction in overheads of 6.4%. The reduction in overheads was partly a result of a stronger Australian dollar against the Pounds Sterling. This is relevant as 45% of the segment costs are denominated in Pounds Sterling as the largest divisional office and staff are located in London.

The non-operating adjustment of \$373,000 relates to impairment of various titles held for distribution that are unlikely to achieve sufficient future sales to support their carrying value.

Third party programs are primarily sourced from independent producers in the US, UK and Canada. Product focus continues to be factual series, documentaries, family and children's programs as there is a steady demand for these genres from broadcasters throughout the world. With the proliferation of media platforms – both over the air, cable and on the web – channels are becoming increasingly focused on specific audience demographics when acquiring content.

During the year significant sales for third party producers were achieved for existing franchises of Highway Thru Hell and Love It or List It, Chasing Monsters and Game of Homes. Mythbusters and Deadly Women from Beyond Productions while delivering strong sales during the current financial year, sales were lower than those achieved in 2016 due to the timing of production schedules of those series.

The share of revenue by third party produced programmes continues to rise with a large volume of new episodes of existing series; third party revenue is now at 70% - a 6 point rise on 2016.

Traditional cable broadcasters are still strong worldwide and this combined with the growth of Video on Demand (OTT) platforms will have a positive impact on revenues in this division in the future.

There are now fewer medium sized independent producers/distributors active in the international market than at any time in the past 20 years – and this is an advantage to the medium sized entities in attracting new product and customers as these companies offer an alternative to the dominance of the handful of large entities that dominate the international content business.

New releases planned for the 2018 financial year include Beat Bugs, a continuing expansion of the Love It Or List It franchise, new series of Highway Thru Hell and Heavy Rescue: 401, Escobar's World, a documentary on the infamous drug lord with interviews with his son Juan Pablo Escobar and the return of the Mythbusters franchise after a short hiatus.

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4. Digital Marketing Segment (BeyondD)

Full year revenues for BeyondD were \$10,549,000, 15.4% down on last year's total of \$12,470,000.

The operating result for the 12 months was a loss before restructuring and impairment charges of \$722,000 against an operating loss of \$292,000 for the corresponding prior period. After adjusting for impairment and restructuring costs, the division reported a loss of \$1,329,000.

The FIRST business unit had a consistent flow of digital production revenues from key clients in Australia and New Zealand. Both the Australian and New Zealand search operations refocused their search engine optimisation offerings around content outreach as well as continuing to improve the conversion rate optimization offering. This enabled the business to secure new clients as well as retain existing clients who otherwise may have been nearing the end of their relationship with the business. The result was that the FIRST business unit contributed \$1,500,000 to Beyond D's management overheads, a result that is \$300,000 lower than the 2016 performance in a very competitive space.

The lead generation and performance media business unit of BeyondD (3Di) had a very difficult year and the division was closed at the end of the 2017 financial year. The division reported a loss before impairment charges of \$885,000. Total non-recurring expenditure of \$607,000 was taken up in the 2017 financial year. This included impairment charges relating to intellectual property of \$444,000 and redundancy payments of \$163,000.

BeyondD is refocusing the business on Analytics and conversion led consulting. Additionally new technology opportunities are being developed with our deepening partnership with Google. In the next year the aim is to be a market leader in Australia in the areas of AI and voice activated user engagements.

5. Beyond joint venture

The Group's share of operating costs to June 2017 was \$55,000, an improvement on the share of the operating loss incurred in FY2016 of \$404,000. A second and third series of My Dream Lottery Home was commissioned by HGTV in the United States, with a fourth to start production in 2018. A new show, Six Second Pranks, was also commissioned in the 2017 financial year.

The joint venture has a deep slate of projects in development and is actively working with US broadcasters to develop and produce new programs for the US market.

6. Prior Period Error

Management undertook a review of various assets and liabilities associated with the distribution division and have identified a prior period error dating back to 2003 in relation to internal copyright revenues erroneously recognised in relation to a number of programmes previously funded under a financing arrangement whereby all revenues were to flow through to the financier. While the associated debtors created at the time of the revenue recognition were eliminated on consolidation, the offsetting liability had been settled with the financier. This had the impact of understating the amounts payable to third party licensors. The net value after tax of the error is \$1,481,000 and will be treated in accordance with Australian Accounting Standards Board (AASB) 108 Accounting Policies, Changes in Accounting Estimates and Errors, with no impact on current or prior year earnings. This requires that, as the error occurred before the earliest prior period being presented in the accounts, the opening balances of assets, liabilities and equity be restated for the 2016 financial year. A summary of the restatement is tabled below:

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| Statement of Financial Position | 2015 reported \$000's | Adjustment \$000's | 2015 restated \$000's |
|---------------------------------|--------------------------|-----------------------|--------------------------|
| Other current liabilities | 10,866 | 2,037 | 12,903 |
| Deferred tax liabilities | 4,029 | (556) | 3,473 |
| Retained earnings | 11,727 | (1,481) | 10,246 |

Foreign Exchange – Impact on Results

The Group has significant exposure to foreign exchange fluctuations in the television production and distribution operating segments with over 40% of Group revenues derived from overseas.

In the normal course, the company generally hedges production costs denominated in US\$. Foreign currency contracts entered into by the distribution segment are generally not hedged.

There continued to be volatility in the currency markets during the reporting period, with the Australian dollar ranging from a high of \$0.769 to a low of \$0.720 against the US dollar.

The total foreign exchange loss for FY2017 is \$542,000 (2016: loss \$494,000). This loss is allocated to the operating segments as follows: -

| Item | Segment | Jun-17 | Jun-16 | Movement | |
|--------------------------|-------------------|-----------|-----------|-----------|-------|
| | | \$ | \$ | \$ | % |
| Realised gain / (loss) | Distribution / TV | 25,947 | 94,749 | (68,802) | 73% |
| Unrealised gain / (loss) | Distribution / TV | (8,192) | 45,901 | (54,093) | 118% |
| Realised gain / (loss) | Production | 59,640 | (375,858) | 435,498 | 116% |
| Unrealised (loss)/gain | Production | (126,667) | 34,561 | (161,227) | 467% |
| Realised (loss)/gain | Other | (92,847) | 23,700 | (116,547) | 492% |
| Unrealised (loss)/gain | Other | (399,727) | (316,996) | (82,731) | (26%) |
| Total FX Gain/(loss) | | (541,846) | (493,943) | (47,903) | 10% |

Dividend

The Directors have determined that there will be no final dividend for the 2017 financial year.

A 2 cent per share (unfranked) 2017 Interim Dividend was paid on 21 April 2017 making the total dividend for the 2017 financial year 2 cents per share.

Conclusion

The Beyond International Group of companies operates in challenging and competitive sectors. This makes it difficult to detail expected results of operations for the 2018 financial year.

All four operating segments are facing competitive pressures and technological challenges including the proliferation of OTT platforms.

The television production and distribution segments operate in an international environment and are subject to economic fluctuations that occur in the different markets in which they operate. The growth of the OTT platforms as a significant method of content distribution to the consumer has proved disruptive to the traditional free to air and cable platforms. This results in both opportunities and challenges for the Group – to date this disruption has proved somewhat of an opportunity as the Group has achieved significant sales to both OTT platforms and traditional platforms during the year.

Long running brands Selling Houses Australia, MythBusters and Deadly Women provide a solid foundation for Beyond Productions in the 2018 financial year. New productions including RMD Garage (Velocity Channel) and Love It or List It Australia (Lifestyle Channel) have long running series potential.

Program development continues to target our strong relationships both in the United States and Australia and covers both traditional cable and network buyers as well as all OTT platforms.

The strong performance of MythBusters: The Search transitioned us into the next generation of our major science brand and the new look series premieres in the US in November 2017. Another spin off series is in development.

The highly rated 7Beyond series My Lottery Dream Home is in production of season 4 for HGTV and a yet to be announced series for Fuse Network has commenced production.

A further 8 funded pilots and network presentations are currently in production or under consideration.

The Group has invested in the second series of Beat Bugs and in the Motown Magic animation series. This is part of the strategy of producing and investing in content that will generate multiple revenue streams including music sales, merchandising and live touring. Beat Bugs merchandise was released in Target USA this month and Tesco UK later this year.

Beyond, together with the Grace group of companies (creators of Beat Bugs and Motown Magic), have also formalised an arrangement with the Universal Music Group (UMG) to develop concepts based on UMG's extensive music catalogue. It was recently announced that UMG and Grace/Beyond have started development on three new television series with the temporary titles 27, Melody Island and Mixtape.

Beyond Distribution is looking forward to a strong year with the return of the Mythbusters franchise after a short hiatus. The division will be launching the children's series Beat Bugs to broadcasters around the world which we believe has the potential to become another successful franchise.

Highly successful third party titles such as Highway Thru Hell, Heavy Rescue: 401 and Love It or List It will also have new series launched internationally in this coming financial year. The Love It or List It franchise continues to expand with the format expanding to the UK, Germany, and now Love It Or List It Australia, which commences broadcast on Foxtel in September 2017. In addition, we have new titles such as Escobar's World, a documentary on the infamous drug lord with interviews with his son Juan Pablo Escobar.

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Home Entertainment (BHE) face the challenges of a declining physical DVD market and retailers shifting their trading terms to consignment. With the transition to consignment fully completed, BHE is placed to return to profitability in the 2018 fiscal year. To complement our existing portfolio of content, BHE in fiscal 2018 will launch the following event programming: -

- ◆ Blue Murder: Killer Cop - a two-part Australian mini-series based on the portrayal of Australia's most notorious former detective, Roger Rogerson;
- ◆ Pokémon the Movie 20: I Choose You!;
- ◆ Secret Daughter Season 2 - an Australian drama television series set to screen on the Seven Network in 2017 starring Jessica Mauboy; and
- ◆ The 2017 AFL and NRL Grand Finals.

BHE is exploring new opportunities with new media and social platforms to distribute the exclusive content that it has the licences for.

Beyond D need to ensure relevance by maintaining any technological advantage in a rapidly changing environment. New technology opportunities are being developed because of our deepening partnership with Google, including involvement in beta testing of voice activated user engagements.

Over the next twelve months the Company's focus will be to further strengthen the financial performance in all operating segments of the Group to generate surplus cash to invest in working capital and new content. The focus will be on organic growth in the production and distribution business segments.

Mikael Borglund
CEO & Managing Director
31 August 2017

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About Beyond

Beyond International Limited (ASX:BYI) is a leading international producer and distributor of television and digital content and is one of the largest independent distributors of home entertainment product in Australia. The Company is headquartered in Sydney and listed on the Australian Stock Exchange.

Beyond has produced over five thousand hours of television programs for broadcast internationally including Mythbusters, Taboo, Selling Houses Australia, Deadly Women and Toybox. The company has production offices in Sydney, Perth, San Francisco, and Los Angeles and produces programs for Australian, US and International broadcasters.

Beyond's international distribution business markets an extensive program catalogue sourced from third party producers and internal production. This business unit is headquartered in Dublin, with sale offices in London and Sydney.

The Home Entertainment operation focuses on digital and DVD distribution and has an extensive catalogue of product, which is distributed throughout Australia and New Zealand.

The Digital Marketing business performs online search optimisation, website creation, development and performance and online media sales within Australia and New Zealand.

This announcement is made pursuant to Listing Rule 4.1 & 3.1.

All enquiries should be directed to:

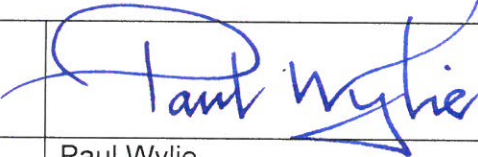
Mr Mikael Borglund. Managing Director, Beyond International Limited
Telephone 02 9437 2000 or email investor_relations@beyond.com.au

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Audit/Review Status

| | | | |
|---|-------------------------------------|--|--------------------------|
| This report is based on accounts to which one of the following applies: (Tick one) | | | |
| The accounts have been audited | <input checked="" type="checkbox"/> | The accounts have been subject to review | <input type="checkbox"/> |
| The accounts are in the process of being audited or subject to review | <input type="checkbox"/> | The accounts have not yet been audited or reviewed | <input type="checkbox"/> |
| If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: N/A | | | |
| If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: N/A | | | |

Attachments Forming Part of Appendix 4E

| Attachment # | Details |
|-------------------------------|---|
| 1 | Financial Statements |
| | |
| | |
| Signed By (Company Secretary) |  |
| Print Name | Paul Wylie |
| Date | 31 August 2017 |

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities ("Consolidated Entity" or "Group") for the financial year ended 30 June 2017.

1. Directors

The names of Directors in office at any time during or since the end of the financial year are;

| | | |
|-----------------|---|------------------------|
| Ian Ingram | - | Non-Executive Chairman |
| Mikael Borglund | - | Managing Director |
| Anthony Lee | - | Non-Executive Director |
| Ian Robertson | - | Non-Executive Director |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Company secretary

The following person held the position of Company Secretary during and at the end of the financial year:

Mr. Paul Wylie, joined Beyond on the 7 November 2013 and was appointed Company Secretary on 7 November 2013. Mr. Wylie is also the General Manager of Finance for the Group.

3. Principal activities of the group

The principal activities of the group during the financial year were television program production, international sales of television programs and feature films, home entertainment distribution/sales and digital marketing. There was no significant change in the nature of those activities during the financial year.

4. Operating results

The consolidated loss attributable to members of the Company for the financial year was \$7,469,000 (2016: profit of \$5,317,000).

5. Dividends

An interim 2017 dividend of 2 cents per share was paid in April 2017. The Company will not pay a final 2017 dividend.

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DIRECTORS' REPORT

6. Review of operations

Revenue from operations for the year has decreased by 15% from \$101,638,000 to \$86,312,000 with operating expenses reducing by \$1,578,000 or 1.6% year on year.

Net loss after tax before minority interests is \$7,469,000 for the 2017 financial year – this compares unfavourably to the profit after tax of \$5,317,000 reported for the 2016 financial year.

Net cash flow from operating activities was \$5,887,000 (2016: \$5,127,000) with the final 2016 and interim 2017 dividend totalling \$4,293,587 being paid during the period.

A revolving bill facility of \$6,000,000 was secured through St George to fund Australian tax credits relating to the Producer Offset and Post, Digital and Visual Effects Offset (PDV) of which \$5,744,000 was drawn as at 30 June 2017.

Television Production and Copyright Segment

Television production external revenue increased by \$12,600,000 or 32.8% to \$50,971,000.

In 2017 the net “copyright income” from the further exploitation of the programs by Beyond Distribution is \$4,301,000 compared to \$6,503,000 in 2016, a decrease of 33.9%.

Segment operating EBIT for the 12-month period decreased 24.1% to \$7,566,000 (2016: \$9,964,000).

The television series produced for the US market during the year includes returning titles *Mythbusters*, with new hosts, *Deadly Women* (series 10 and 11) and *My Lottery Dream Home* (series 2 and 3). New commissions in the year include *RMD Garage*, *Teen Spirit*, *Dead Scientists* and *Six Second Pranks* for 7Beyond.

Australian program commissions during the period include 2017 *Santos Tour Down Under*, *Love It Or List It Australia*, *Pulse*, *Nippers*, *A Team Of Champions*, and season 10 and season 11 of *Selling Houses Australia*.

The 7Beyond joint venture result for the current year includes a 50% share of net operating costs of \$55,000. This is an improvement to the share of costs in 2016 of \$404,000. The venture has received a second and third commission from HGTV for *My Dream Lottery Home* in the 2017 financial year, with a fourth season expected to be commissioned in 2018.

Home Entertainment Segment (BHE)

Revenue decreased to \$2,113,000 (2016: \$24,894,000) compared to the corresponding 12-month period.

In fiscal year 2017, BHE reached agreement with a number of customers to adopt consignment based trading terms. The impact of this change on BHE's operations in the period, was to complete a buy-back of all inventory from those customers. BHE terms of trade are now on a consignment basis with all significant customers and aligned with the majority of the home entertainment industry. Under a consignment trading agreement, goods are supplied to the wholesale customer 'no charge' with revenues being recorded upon sale of those goods to an end-consumer. At the completion of the transaction the standard wholesale price is remitted to BHE.

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DIRECTORS' REPORT

As a consequence of the transition to consignment trading terms, BHE recorded a loss of \$8,182,000 in the fiscal 2017 year compared to EBIT of \$1,526,000 in the 2016 year. Excluding the transition to consignment, the underlying result for BHE in the fiscal 2017 period was revenue of \$15,250,000 and EBIT of \$429,000.

The total physical DVD market contracted 17% for the twelve-months ending 30 June 2017 as a segment of the home entertainment market adopts subscription and streaming television services.

With the transition to consignment fully completed, BHE is placed to return to profitability in the 2018 fiscal year. To complement our existing portfolio of content, BHE in fiscal 2018 will launch the following event level programming: -

- ◆ Blue Murder: Killer Cop - a two-part Australian mini-series based on the portrayal of Australia's most notorious former detective, Roger Rogerson;
- ◆ Pokémon the Movie 20: I Choose You!;
- ◆ Secret Daughter Season 2 - an Australian drama television series set to screen on the Seven Network in 2017 starring Jessica Mauboy; and
- ◆ The 2017 AFL and NRL Grand Finals.

TV and Film Distribution Segment (Beyond Distribution)

Segment revenue has decreased by \$3,966,000 or 15.3% to \$21,877,000 compared to the corresponding 12 month period (2016: \$25,843,000).

The segment EBIT before impairment charges for the twelve months decreased by 58% to \$845,000 from \$2,020,000 in 2016. An impairment charge of \$373,000 has been booked in relation to various titles held for distribution that are unlikely to achieve sufficient sales to support their carrying value.

During the year successful sales were achieved for in house produced series', which include Mythbusters and Deadly Women.

The most successful third party products sold were Highway Thru Hell, Love It Or List It, Chasing Monsters and Game of Homes.

Digital Marketing Segment (Beyond D)

Segment revenue has decreased by \$1,921,000 or 15.4% to \$10,549,000 compared to the corresponding 12 month period (2016: \$12,470,000).

The division reported a loss before impairment and restructuring costs of \$722,000 for the 12 months from a loss of \$292,000 in 2016. After impairment and restructuring costs, the division reported a loss of \$1,329,000.

FIRST had a consistent flow of digital production revenues from key clients in Australia and a very consistent consulting monthly performance by New Zealand. Both the Australian and New Zealand search operations refocused their search engine optimisation offerings around content outreach as well as continuing to improve the conversion rate optimization offering. This enabled the business to secure new clients as well as retain existing clients who otherwise may have been nearing the end of their relationship with the business. The result was that the FIRST business unit contributed

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\$1,500,000 to Beyond D's management overheads, a result that was \$300,000 lower than the FY2016 performance in a very competitive space.

The lead generation and performance media section of BeyondD (3Di) had a very difficult year and the division was closed down at the end of the financial year. The division reported a loss before impairment and restructuring costs of \$607,000. Impairment charges relating to intellectual property of \$444,000, and redundancy payments of \$163,000 have been booked in the 2017 financial year, resulting in a full year loss of \$1,303,000.

The continued vigilance on the cost structure of FIRST and its expected continued success, will enable the focus required to return the division to profitability in 2017/18.

7. Prior Period Adjustment

Management undertook a review of various assets and liabilities associated with the distribution division and have identified a prior period error dating back to 2003 in relation to copyright revenues erroneously recognised in relation to a number of programmes previously packaged under a financing arrangement whereby all revenues were to flow through to the financier. While the associated debtors created at the time of the revenue recognition were eliminated on consolidation, the offsetting liability had been settled with the financier. This had the impact of understating the amounts payable to third party licensors. The net value after tax of the error is \$1,481,000 and will be treated in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, with no impact on current year earnings.

8. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year ended 30 June 2017.

9. Matters subsequent to the end of the financial year

Subsequent to 30 June 2017, the Group received a waiver in relation to the breaches to its banking covenants. No other matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

10. Likely developments and expected results of operations

The Beyond International Group of companies operates in challenging, competitive sectors. This makes it difficult to detail expected results of operations for the 2018 financial year.

All four operating segments are facing competitive pressures and technological challenges. The television production and distribution segments operate in an international environment and are subject to economic fluctuations that occur in the different markets in which they operate.

The growth of the OTT platforms as a significant method of content distribution to the consumer has proved disruptive to the traditional free to air and cable platforms. This results in both opportunities and challenges for the Company – to date this disruption has proved somewhat of an opportunity as the Company has achieved significant sales to both OTT platforms and traditional platforms during the year.

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Home Entertainment face the challenges of a declining DVD market and aggressive retailers shifting their trading terms to consignment.

Beyond D need to ensure relevance by maintaining any technological advantage in a rapidly changing environment.

Over the next twelve months the Company's focus will be to further strengthen the financial performance in all operating segments of the Group in order to generate surplus cash to invest in working capital and new content. The focus will be on organic growth in the production and distribution business segments.

11. Information on Directors & Company Secretary

| Name | Qualifications & experience | Special responsibilities | Directors' interests in shares of Beyond International Limited |
|--|--|--|---|
| I Ingram BA, Bsc(Econ), Honours Barrister at Law | Chairman of Winchester Investments Group Pty Ltd and Sealion Media Ltd as well as Chairman of various private venture capital and investment companies. Member of the Board since 1986 | Chairman, member of the Audit Committee, member of the Remuneration Committee, and Chairman of the Nomination Committee. | 19,310,278 direct/indirect |
| M Borglund B.Bus, CA | Extensive management & finance experience. Former member of the board of the Australian Film Institute. Member of the Board since 1990 | Managing Director, CEO and member of the Nomination Committee. | 3,150,949 direct/indirect |
| A Lee BA, MBA | Director of Aberon Pty Ltd, a private investment company, a substantial shareholder in the company. Member of the Board since 1990 | Non-Executive Director, Chairman of the Audit Committee, member of the Remuneration Committee, and member of the Nomination Committee. | 5,474,997 direct/indirect |
| Ian Robertson LL.B. BComm, FAICD | A media and corporate lawyer who heads the media and entertainment practice of national law firm Holding Redlich and is the Managing Partner of the firm's Sydney office. He is President of the Board of the Victorian Government screen agency Film Victoria, and the former Deputy Chair of the Australian Government film agency Screen Australia. Member of the Board since 2006 | Non-Executive Director, Chairman of the Remuneration Committee and member of the Nomination Committee. | 110,000 direct/indirect |
| Paul Wylie BA Acctg, CPA | Extensive media finance experience with over 30 years in broadcast and subscription television and television production industries. Company Secretary roles for a number of entities during this period | General Manager, Finance Company Secretary | 2,000 Indirect |

The particulars of Directors' interests in shares are as at the date of this report.

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12. Directors' meetings

The numbers of meetings of the Company's Board of Directors and of each Committee held during the financial year ended 30 June 2017, and the number of meetings attended by each Director was:

| Board of Directors Meetings | | | Audit Committee Meetings | | Remuneration Committee Meetings | | Nomination Committee Meetings | |
|-----------------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------------|-----------------|-------------------------------|-----------------|
| Director | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| I Ingram | 8 | 8 | 2 | 2 | 2 | 2 | 2 | 2 |
| M Borglund | 8 | 8 | - | - | - | - | 2 | 2 |
| A Lee | 8 | 8 | 2 | 2 | 2 | 2 | 2 | 2 |
| I Robertson | 8 | 8 | - | - | 2 | 2 | 2 | 2 |

13. Indemnification and insurance of Directors and officers

The Company has entered into agreements to indemnify all Directors of the Company named in section 1 of this report, and current and former executive officers of the Group, against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving a lack of good faith. The Group has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The Group paid insurance premiums totalling \$16,653 (2016: \$18,988) in respect of Directors' and officers' liability insurance. The policy does not specify the premium of individual Directors and executive officers.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions, and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as Director or executive officer, unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

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14. Remuneration report (Audited)

A) Remuneration Policy

The broad approach by the Group to remuneration is to ensure that remuneration packages:

- properly reflect individual's duties and responsibilities;
- are competitive in attracting, retaining and motivating staff of the highest quality; and
- uphold the interests of shareholders.

The remuneration policies adopted are considered to have contributed to the growth of the Group's profits and shareholder benefit by aligning remuneration with the performance of the Group.

B) Remuneration Approach – Non-Executive Directors

Non-Executive Directors are remunerated from a maximum aggregate amount of \$350,000 per annum.

Current rates effective 1 October 2013 paid to Non-Executive Directors are:

| | |
|------------------------|----------------|
| Chairman | \$188,025 p.a. |
| Non-Executive Director | \$50,000 p.a. |

Additional Duties

| | |
|-------------------------------|---------------|
| Chairman of a board committee | \$10,000 p.a. |
| Member of a board committee | \$5,000 p.a. |

The Board's policy is to remunerate Non-Executive Directors at market rates from comparable companies having regard to the time commitments and responsibilities assumed.

There are no termination payments to Non-Executive Directors on retirement from office other than payments relating to their accrued superannuation entitlements.

C) Contractual Arrangements – Key management personnel

| Name | Position | Duration of contract | Period of Notice to Terminate the Contract |
|-------------|---|-----------------------------|--|
| M Borglund | Managing Director | No Fixed term | Either party may terminate on twelve months notice |
| J Luscombe | General Manager - Productions & Senior Vice President | No Fixed term | Either party may terminate on twelve months notice |
| P Tehan | General Manager - Legal & Business Affairs | No Fixed term | One month notice given by either party |
| T McGee | General Manager - Business Development | No Fixed term | One month notice given by either party |
| M Murphy | General Manager - Distribution | No Fixed term | Three months notice given by either party |

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| | | | |
|------------|---|---------------|---|
| P Wylie | General Manager - Finance & Company Secretary | No Fixed term | Three months notice given by either party |
| P Maddison | General Manager - Home Entertainment | No Fixed term | One month notice given by either party |
| J Ward | General Manager - Digital Marketing | No Fixed term | Three months notice given by either party |

The contracts referred to are currently on foot and variously part performed as to the duration of them. The contracts are terminable by the Company in the event of serious misconduct or non-rectified breach. Only remuneration that is due but unpaid up to the date of termination and normal statutory benefits will be paid in these circumstances.

D) Key Management Personnel Remuneration

The Board undertakes an annual review of its performance and the performance of the Board Committees against goals set at the start of the financial year. Any performance related bonuses are available to executives of the Company and thus no bonuses are payable to Non-Executive Directors. Any performance related bonuses will be based on the divisional net profit before tax exceeding the annual budget approved by the Board prior to the commencement of the relevant financial year by a minimum percentage, and achieving pre-agreed KPI's. Details of the nature and the remuneration of each Director of Beyond International Limited and each of the seven executives with the greatest authority for the strategic direction and management of the Company and the Group are set out in the following tables.

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Directors of Beyond International Limited

2017

| Name | Salary & Fees | Bonus | Non-monetary benefits | Post-employment benefits (superannuation) | Other Long Term Benefits (Leave) | Share based payments | Total | Share based payments % of Total |
|-------------|--------------------------|--------------|------------------------------|--|---|-----------------------------|--------------|--|
| M Borglund | \$751,440 | \$100,000 | - | \$19,616 | \$70,189 | - | \$941,245 | 0% |
| I Ingram | \$188,025 | - | - | - | - | - | \$188,025 | 0% |
| A Lee | \$54,795 | - | - | \$5,205 | - | - | \$60,000 | 0% |
| I Robertson | \$54,795 | - | - | \$5,205 | - | - | \$60,000 | 0% |
| Total | \$1,049,055 | \$100,000 | - | \$30,026 | \$70,189 | - | \$1,249,270 | 0% |

Mikael Borglund's bonus as a percentage of his salary and fees is 13.3% (2016: 0%). The bonus was awarded at the discretion of the Board.

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DIRECTORS' REPORT

2016

| Name | Salary & Fees | Bonus | Non-monetary benefits | Post-employment benefits (superannuation) | Other Long Term Benefits (Leave) | Share based payments | Total | Share based payments % of Total |
|--------------|--------------------------|--------------|------------------------------|--|---|-----------------------------|--------------------|--|
| M Borglund | \$736,446 | - | - | \$19,308 | \$66,687 | - | \$822,441 | 0% |
| I Ingram | \$188,025 | - | - | - | - | - | \$188,025 | 0% |
| A Lee | \$54,795 | - | - | \$5,205 | - | - | \$60,000 | 0% |
| I Robertson | \$54,795 | - | - | \$5,205 | - | - | \$60,000 | 0% |
| Total | \$1,034,061 | - | - | \$29,718 | \$66,687 | - | \$1,130,466 | 0% |

Mr Borglund is the only Executive Director employed by Beyond International Limited.

During the 2017 financial year the Group did not exceed the budget by the set criteria and as such Mikael Borglund was not entitled to a performance bonus, however the Board, at its discretion granted Mikael Borglund a one-off bonus of \$100,000. For the 2016 financial year the Group did not exceed the budget by the set criteria and as such Mikael Borglund was not entitled to a performance bonus.

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Executive Officers' Remuneration

2017

| Name | Salary & Fees | Bonus | Non-monetary benefits | Post-employment benefits (superannuation) | Other Long Term Benefits (Leave) | Termination Benefits | Share based payments | Total | Share based payments % of Total |
|--------------|--------------------------|------------------|------------------------------|--|---|-----------------------------|-----------------------------|--------------------|--|
| J Luscombe | \$567,171 | \$555,370 | - | \$19,616 | \$33,374 | - | - | \$1,175,531 | 0% |
| P Wylie | \$254,356 | - | - | \$19,616 | \$8,038 | - | - | \$282,010 | 0% |
| T McGee | \$248,189 | - | - | \$19,616 | (\$20,217) | - | - | \$247,588 | 0% |
| M Murphy | \$288,772 | - | - | \$15,800 | \$630 | - | - | \$305,202 | 0% |
| P Tehan | \$232,035 | - | - | \$19,616 | \$7,973 | - | - | \$259,624 | 0% |
| P Maddison | \$344,912 | - | - | \$19,616 | \$13,499 | - | - | \$378,027 | 0% |
| J Ward | \$223,300 | - | - | \$19,616 | \$8,236 | - | - | \$251,152 | 0% |
| Total | \$2,158,735 | \$555,370 | - | \$133,495 | \$51,533 | - | - | \$2,899,134 | 0% |

2016

| Name | Salary & Fees | Bonus | Non-monetary benefits | Post-employment benefits (superannuation) | Other Long Term Benefits (Leave) | Termination Benefits | Share based payments | Total | Share based payments % of Total |
|--------------|--------------------------|------------------|------------------------------|--|---|-----------------------------|-----------------------------|--------------------|--|
| J Luscombe | \$556,340 | \$443,051 | - | \$19,309 | \$31,274 | - | - | \$1,049,975 | 0% |
| P Wylie | \$244,391 | - | - | \$19,309 | \$9,407 | - | - | \$273,106 | 0% |
| T McGee | \$244,614 | - | - | \$19,309 | \$(5,122) | - | - | \$258,800 | 0% |
| M Murphy | \$282,727 | \$13,691 | - | \$12,548 | \$32 | - | - | \$308,998 | 0% |
| P Tehan | \$223,150 | - | - | \$19,309 | \$12,536 | - | - | \$254,994 | 0% |
| P Maddison | \$339,312 | - | - | \$19,309 | \$10,302 | - | - | \$368,922 | 0% |
| J Ward | \$220,000 | - | - | \$19,309 | \$(12,676) | - | - | \$226,632 | 0% |
| Total | \$2,110,534 | \$456,742 | - | \$128,396 | \$45,753 | - | - | \$2,741,426 | 0% |

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John Luscombe's bonus as a percentage of his salary and fees is 97.9% (2016: 79.6%). The bonus calculation is based on the financial performance of programs created and produced, and divisional net profit before tax performance to budget.

Michael Murphy's bonus as a % of his salary and fees is 0% (2016: 4.8%).

During the 2017 financial year, the Group did not exceed the budget by the set criteria or for the individual divisions. As such no executives, other than John Luscombe were entitled to a performance bonus. This has been received and is detailed above.

In the 2016 financial year the budget criteria was not met and consequently those executives other than John Luscombe and Michael Murphy were not entitled to this bonus.

Executive Officers' Shareholdings

2017

| Specified Executives | Balance 1.07.16 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.17 |
|----------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| J Luscombe | 273,478 | - | - | - | 273,478 |
| T McGee | 75,000 | - | - | - | 75,000 |
| P Tehan | 75,000 | - | - | - | 75,000 |
| P Maddison | 50,000 | - | - | - | 50,000 |
| P Wylie | 2,000 | - | - | - | 2,000 |
| M Murphy | - | - | - | - | - |
| J Ward | - | - | - | - | - |
| Total | 475,478 | - | - | - | 475,478 |

2016

| Specified Executives | Balance 1.07.15 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.16 |
|----------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| J Luscombe | 273,478 | - | - | - | 273,478 |
| T McGee | 75,000 | - | - | - | 75,000 |
| P Tehan | 75,000 | - | - | - | 75,000 |
| P Maddison | 50,000 | - | - | - | 50,000 |
| P Wylie | 2,000 | - | - | - | 2,000 |
| M Murphy | - | - | - | - | - |
| J Ward | - | - | - | - | - |
| Total | 475,478 | - | - | - | 475,478 |

* The net change from the opening balance represents sale or purchase of shares during the year.

Transactions with other related parties

J Luscombe is a director of Ryzara Pty Ltd. The company has received payments for services rendered by J Luscombe during the year. These fees are included as part of the Executive Remuneration disclosed in Note 30 and the Director's Report.

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Voting and Comments made at the Company's 2016 Annual General Meeting (AGM)

The company received 99.9% of "for" votes in relation to its remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration policy.

Beyond International Employee Share Plan

The Board has adopted an employee share plan (note 27) under which employees and Directors of the Group may subscribe for shares in the Company using funds loaned to them by the Group. The Board has also adopted a share plan on substantially the same terms for consultants of the Group (Consultant Plan). The purpose of the Employee Share Plan is to:

- assist in the retention and motivation of employees and Directors of the Group by providing them with a greater opportunity to participate as shareholders in the success of the group; and
- create a culture of share ownership amongst the employees of the Group. The employee share plan was approved by shareholders at the Company's extraordinary general meeting on 12th April 2006.

2,587,500 shares were originally issued under the Employee Share Plan to eligible employees and Directors and the Group has entered into loan agreements with participants to provide the funds necessary to subscribe for those shares. Shares have been issued in accordance with the Employee Share Plan rules. There are 1,525,000 shares still subject to the Employee Share Plan.

Under the Employee Share Plan rules the Board of the Group has the power to decide which full time or permanent part-time employees and Directors of the Group will participate in the Employee Share Plan and the number of shares offered to each participant. The number of shares offered to be issued under the Employee Share Plan and Consultants Plan in a five year period must not exceed 5% of the total number of issued shares at the time of the offer, disregarding certain share issues.

The shares granted under the Employee Share Plan may be subject to any restrictions the Board considers appropriate and the Board may implement any procedure the Board considers appropriate to restrict the disposal of shares acquired under the Employee Share Plan. The Board also has the power to vary or terminate the Employee Share Plan at any time, subject to the ASX Listing Rules and the Corporations Act 2001.

Below are the key financial indicators for the previous 5 years.

| | EBIT 000s | Net Profit 000s | EPS (Cents per share) | NTA* (Cents per share) | Total Equity* 000s | Dividends (Cents per share) |
|------|--------------|--------------------|--------------------------|---------------------------|-----------------------|--------------------------------|
| 2013 | 10,841 | 9,273 | 15.12 | 56.92 | 40,593 | 7.00 |
| 2014 | 8,837 | 7,975 | 13.00 | 62.48 | 44,158 | 9.00 |
| 2015 | 5,964 | 5,885 | 9.59 | 62.19 | 44,009 | 10.00 |
| 2016 | 5,553 | 5,317 | 8.67 | 61.37 | 43,326 | 10.00 |
| 2017 | (8,195) | (7,469) | (12.18) | 44.37 | 32,085 | 7.00 |

* 2013 to 2016 has been amended to reflect the impact of the prior period error.

This concludes the remuneration report that has been audited.

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15. Total number of employees

The total number of fulltime equivalent employees employed by the Group at 30 June 2017 was 105 as compared with 132 at 30 June 2016.

16. Shares under option

At the date of this report, there are no un-issued ordinary shares of Beyond International Limited under option.

17. Shares redeemed under the Employee Share Plan

35,000 shares have been redeemed from the Beyond International Limited employee share plan during or since the end of the financial year. No further shares have been approved by the Board of Directors under this plan.

18. Environmental regulations

The Group has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

19. Corporate Governance Statement

Please see the following URL of the company website page where the statement is located.

<http://www.beyond.com.au/corporate/corporate-governance>

20. Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial Director's Report) Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the report. Amounts in the financial report have been rounded off in accordance with that Legislative instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

21. Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

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22. Non audit services

During the year BDO, the Company's auditor, delivered tax services and performed audits in relation to non-statutory submissions.

The following fees for non-audit services were paid/payable to BDO and other BDO Network firms per note 5(c) during the year ended 30 June 2017:

| | |
|-------------------------|----------|
| Tax compliance services | \$88,025 |
|-------------------------|----------|

When considering BDO to provide additional services the Board considers the non-audit services provided to ensure it is satisfied that the provision of these non-audit services by the auditor is compatible with, and will not compromise the auditor independence requirements of the Corporations Act 2001. In particular it ensures that:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- Non-audit services provided do not undermine the general principles relating to audit in a management or decision making capacity for the Company, acting as an advocate for the Company, or jointly sharing risks and rewards.

23. Auditors independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 29 of the Directors' Report.

Auditor details

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

For and on behalf of the Board



Mikael Borglund
Managing Director
31 August 2017
Sydney

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF BEYOND INTERNATIONAL LIMITED

As lead auditor of Beyond International Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Beyond International Limited and the entities it controlled during the financial year.



Martin Coyle
Partner

BDO East Coast Partnership

Sydney, 31 August 2017

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

| | | Consolidated Entity | |
|--|--------|---------------------|-----------------|
| | Note | 2017 \$000's | 2016 \$000's |
| Revenue from continuing operations | 5 (a) | 86,379 | 101,633 |
| Other income | 5 (a) | 174 | 161 |
| Share of profits of joint ventures accounted for using the equity method | 16 | - | - |
| Royalty expense | | 13,364 | 13,905 |
| Production costs | | 42,038 | 28,736 |
| Home entertainment direct costs | | 7,022 | 18,110 |
| Digital marketing direct costs | | 7,899 | 8,576 |
| Administration costs | | 5,402 | 6,544 |
| Employee benefits expense | | 13,911 | 14,964 |
| Finance costs | 5 (b) | 184 | 35 |
| Provisions | | 807 | 1,522 |
| Depreciation and amortisation expense | 5 (b) | 3,200 | 2,900 |
| Net foreign exchange loss | 5 (b) | 542 | 494 |
| Investment write off | | 423 | - |
| Loss on disposal of property, plant and equipment | | 40 | - |
| Share of loss of joint venture accounted for using the equity method | 16 | 55 | 404 |
| (Loss)/profit before income tax | 5 (b) | (8,334) | 5,604 |
| Income tax benefit/(expense) | 6 (a) | 997 | (287) |
| (Loss)/profit after income tax for the year | | (7,337) | 5,317 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| De-recognition of available for sale financial asset | | 423 | - |
| Changes in the fair value of available-for-sale financial assets | 12 (a) | (14) | 10 |
| Foreign currency translation | | (47) | (1) |
| Other comprehensive income for the year, net of tax | | 362 | 9 |
| Total comprehensive (loss)/income for the year | | (6,975) | 5,326 |
| (Loss)/Profit is attributable to: | | | |
| Owners of Beyond International Limited | | (7,469) | 5,317 |
| Non-controlling interest | | 132 | - |
| | | (7,337) | 5,317 |
| Total comprehensive (loss)/income for the year is attributable to: | | | |
| Owners of Beyond International Limited | | (7,107) | 5,326 |
| Non-controlling interest | | 132 | - |
| | | (6,975) | 5,326 |
| Earnings per share attributable to the owners of Beyond International Limited | | Cents | Cents |
| Basic and diluted (loss)/earnings per share | 7 | (12.18) | 8.67 |
| Dividends per share | 24 | 2.00 | 10.00 |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

| | | Consolidated Entity | | |
|--|-------|---------------------|--------------------------|--------------------------|
| | Note | 2017 \$000's | 2016 Restated \$000's | 2015 Restated \$000's |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | 7,645 | 6,379 | 10,403 |
| Trade and other receivables | 9 | 25,704 | 32,684 | 30,561 |
| Current tax receivables | | 116 | - | - |
| Inventories | 10 | 3,624 | 2,882 | 3,069 |
| Other current assets | 11 | 14,048 | 16,454 | 15,732 |
| Financial assets | 12(b) | 62 | - | - |
| TOTAL CURRENT ASSETS | | 51,199 | 58,399 | 59,764 |
| NON-CURRENT ASSETS | | | | |
| Trade and other receivables | 9 | 6,825 | 8,496 | 1,831 |
| Investments accounted for using the equity method | 16 | 313 | 136 | - |
| Financial assets | 12(a) | - | 14 | 4 |
| Property plant and equipment | 13 | 2,414 | 2,590 | 1,850 |
| Intangible assets | 14 | 4,869 | 5,681 | 6,062 |
| Deferred tax assets | 6(c) | 943 | 314 | 804 |
| Other non-current assets | 11 | 7,421 | 751 | 518 |
| TOTAL NON-CURRENT ASSETS | | 22,785 | 17,982 | 11,071 |
| TOTAL ASSETS | | 73,984 | 76,381 | 70,835 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 15 | 8,324 | 5,127 | 6,025 |
| Financial liabilities | 12(b) | - | 4 | 91 |
| Employee benefits | 17 | 3,419 | 3,538 | 2,902 |
| Current tax liabilities | | 261 | - | 134 |
| Other financial liabilities | 18 | 2,373 | 3,049 | - |
| Other current liabilities | 19 | 15,607 | 12,715 | 12,903 |
| Borrowings | 20 | 5,744 | - | - |
| TOTAL CURRENT LIABILITIES | | 35,727 | 24,433 | 22,055 |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities | 6(c) | 1,183 | 2,494 | 3,473 |
| Employee benefits | 17 | 287 | 340 | 588 |
| Other financial liabilities | 18 | 2,340 | 3,931 | - |
| Other non-current liabilities | 19 | 2,362 | 1,854 | 710 |
| TOTAL NON-CURRENT LIABILITIES | | 6,173 | 8,619 | 4,772 |
| TOTAL LIABILITIES | | 41,900 | 33,051 | 26,827 |
| NET ASSETS | | 32,085 | 43,326 | 44,009 |
| EQUITY | | | | |
| Issued capital | 21 | 34,018 | 33,991 | 33,867 |
| Reserves | 22 | 269 | (94) | (103) |
| Accumulated (losses)/earnings | | (2,333) | 9,429 | 10,246 |
| Accumulated earnings relating to non-controlling interests | | 132 | - | - |
| TOTAL EQUITY | | 32,085 | 43,326 | 44,009 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

| | Issued capital | Reserves | Retained earnings/(losses) | Total | Non-controlling interests | Total equity |
|--|-------------------|-------------|-----------------------------------|----------------|------------------------------|-----------------|
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Balance at 01 July 2016 | 33,991 | (94) | 9,429 | 43,326 | - | 43,326 |
| Loss for the year | - | - | (7,469) | (7,469) | 132 | (7,337) |
| Other comprehensive income for the year, net of tax | - | 362 | - | 362 | - | 362 |
| Other movements in reserves | - | 1 | - | 1 | - | 1 |
| Total comprehensive income for the year | - | 363 | (7,469) | (7,106) | 132 | (6,975) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividends paid or provided for | - | - | (4,294) | (4,294) | - | (4,294) |
| Employee share plan | 26 | - | - | 26 | - | 26 |
| Balance at 30 June 2017 | 34,018 | 269 | (2,333) | 31,953 | 132 | 32,084 |

| | | | | | | |
|--|---------------|--------------|---------------|---------------|----------|---------------|
| Balance at 01 July 2015 | 33,867 | (103) | 11,727 | 45,490 | - | 45,490 |
| Adjustment for correction of error (Note 33) | - | - | (1,481) | (1,481) | - | (1,481) |
| Balance at 01 July 2015 - restated | 33,867 | (103) | 10,246 | 44,009 | - | 44,009 |
| Profit for the year | - | - | 5,317 | 5,317 | - | 5,317 |
| Other comprehensive income for the year, net of tax | - | 9 | - | 9 | - | 9 |
| Total comprehensive income for the year | - | 9 | 5,317 | 5,326 | - | 5,326 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividends paid or provided for | - | - | (6,134) | (6,134) | - | (6,134) |
| Employee share plan | 124 | - | - | 124 | - | 124 |
| Balance at 30 June 2016 | 33,991 | (94) | 9,429 | 43,326 | - | 43,326 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

| Notes | Consolidated Entity | |
|-------|---------------------|-----------------|
| | 2017 \$000's | 2016 \$000's |
| | 103,452 | 101,124 |
| | (96,913) | (94,854) |
| | 45 | 86 |
| | (184) | (35) |
| | (513) | (1,195) |
| 8(a) | 5,887 | 5,127 |
| | (1,133) | (1,671) |
| | (131) | (246) |
| | (2,913) | (2,945) |
| | 1,764 | 3,381 |
| | (2,537) | (1,765) |
| | 2,044 | 1,628 |
| | 8 | 1 |
| | (341) | (1,011) |
| | (2,858) | (512) |
| | (6,097) | (3,140) |
| | 5,744 | - |
| 27 | 26 | 125 |
| | (4,294) | (6,136) |
| | 1,476 | (6,011) |
| | 1,266 | (4,024) |
| | 6,379 | 10,403 |
| | 7,645 | 6,379 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 Reporting Entity

Beyond International Limited is a company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange.

The financial report covers the consolidated entity of Beyond International Limited and its controlled entities (the Consolidated Entity and/or the group) as at and for the year ended 30 June 2017.

The financial report of Beyond International Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Board of Directors on 30 August 2017.

2 Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB).

3 Significant accounting policies

This section sets out the significant accounting policies upon which the financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in the current or later years.

The accounting policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs, except where stated. The Consolidated Entity has not adopted a policy of revaluing its non-current assets on a regular basis. Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts.

These financial statements are presented in Australian dollars, which is the Company's functional currency.

Rounding

The Consolidated Entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements are rounded off to the nearest thousand, or in certain cases, the nearest dollar.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Beyond International Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

A list of controlled entities is contained in note 28 to the financial statements. Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Foreign Operations

Transactions denominated in a foreign currency are converted to Australian currency at the exchange rate at the date of the transaction. Foreign currency receivables and payables at the reporting date are translated at exchange rates at the reporting date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the transactions are brought to account. Specific hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in foreign exchange rates. If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues, and those gains and losses are included in the measurement of the hedged transaction.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any previous deferred gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income at the date of termination. All exchange gains and losses relating to other hedge transactions are brought to account in the Statement of Financial Position in the same period as the exchange differences on the items covered by the hedge transactions. Costs on such contracts are expensed as incurred.

Exchange gains and losses on the other hedge transactions entered into as hedges of general commitments are brought to account in the Statement of Profit or Loss and Other Comprehensive Income in the financial year in which the exchange rate changes.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Assets and liabilities of overseas controlled entities and branches are translated at exchange rates existing at the reporting date and the exchange gain or loss arising on translation is carried directly to a foreign currency translation reserve.

Goods and Services Tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Use of judgements and estimates

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Sections within this financial report whereby estimates and judgments have a material impact are as follows:

- the recoverability of distribution advances and prepaid royalties detailed in Note 11.
- the recoverability of capitalised development costs detailed in Note 11.
- Capitalised production costs in Note 11 are calculated using an estimate of future sales on a specified title. The recoverability of this asset is assessed based on a judgment as to whether the initial estimated sales will be reached.
- The valuation of goodwill and other intangible assets detailed in Note 14.
- The recoverability of deferred tax assets as detailed in Note 6.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* becomes mandatory for the Group's 2019 annual financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.

The potential effect of the initial application of the expected Standard has been considered by Management, and from their preliminary assessment they do not believe it will have a material impact on the financial statements.

(ii) AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from Contracts* becomes mandatory for the Group's 2019 annual financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the expects to be entitled in exchange for those goods or services.

Management has commenced assessing the impact of AASB 15 on its financial statements and have identified some potential areas that will require further assessment to determine the impact of implementing the new standard. Management will continue to evaluate the overall impact of AASB 15 on the financial statements in the forthcoming period.

(iii) AASB 16 Leases

AASB 16 *Leases* becomes mandatory for the Group's 2020 annual financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

Management anticipate that the Group's operating lease contracts currently in effect will be impacted by the introduction of AASB 16, and are currently in the process of determining the potential effects of the implementation of AASB 16 on the financial statements.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Going Concern

For the year ended 30 June 2017, the Consolidated Entity made a loss of \$7,337,000 (2016: profit of \$5,317,000) and was in breach of its banking covenants as disclosed in Note 20.

The Directors are of the opinion that the Consolidated Entity will be able to continue as a going concern given that the bank waived the breach of covenants on 28 August 2017 and the Directors anticipate that the current years loss was an anomaly due to the significant stock returns and buyback expensed in the 2017 financial year, with the Consolidated Entity expecting to return to a profitable position for the year ending 30 June 2018.

4. OPERATING SEGMENTS

Management, as the chief operating decision maker, has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business on a global basis in the following four operating divisions:

1. TV production and copyright Production of television programming and ownership of television product copyright.

2. Film and Television distribution International distribution of television programmes and feature films.

3. Home Entertainment Distribution in Australia and New Zealand of DVDs.

4. Digital Marketing Online search optimisation, website creation, development and performance and online media sales in Australia and New Zealand.

Corporate benefit/(expense) Includes the parent entity, centralised administrative support services to the group comprising legal and business affairs, finance and human resources, in addition to internet development. None of these activities constitute a separately reportable business segment.

Geographical segments Although the Consolidated Entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia The home country of the parent entity. The areas of operation include all core business segments.

North America A portion of the group's production, film and television sales are generated from North America, with production offices in Los Angeles.

Europe Substantial film and television distribution proceeds are derived from European markets. The group's head office for multinational activities is located in Dublin. This office is responsible for production and development, and for the acquisition and international sales of all television programmes and feature films. The Dublin office manages the direct sales and marketing activities of the office located in London, which represents the second overseas sales office base.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. OPERATING SEGMENTS (Continued)

| Operating Segment | TV Production & Copyright | | Film & Television Distribution | | Home Entertainment | | Digital Marketing | | Other & Inter Segment Eliminations | | Consolidation | |
|--|---------------------------|--------------|--------------------------------|--------------|--------------------|--------------|-------------------|--------------|------------------------------------|----------|----------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| REVENUE | | | | | | | | | | | | |
| External revenues excluding fx, interest | 50,971 | 38,371 | 21,877 | 25,843 | 2,113 | 24,894 | 10,549 | 12,470 | 802 | 60 | 86,311 | 101,638 |
| Other income | - | - | - | - | - | - | - | - | - | - | - | - |
| Other segments | 6,489 | 5,575 | - | 49 | - | - | 17 | 234 | (6,506) | (5,858) | - | - |
| Total revenue | 57,460 | 43,946 | 21,877 | 25,892 | 2,113 | 24,894 | 10,565 | 12,704 | (5,704) | (5,798) | 86,311 | 101,638 |
| Result before fx, interest and D&A | 8,754 | 10,761 | 509 | 1,670 | (7,489) | 2,301 | (428) | (241) | - | - | 1,346 | 14,491 |
| Depreciation & amortisation | (1,243) | (1,292) | (38) | - | (693) | (775) | (457) | (51) | - | - | (2,430) | (2,118) |
| Impairment of assets | - | - | - | - | - | - | (444) | - | - | - | (444) | - |
| Result before interest, fx & other unallocated expenses | 7,511 | 9,469 | 472 | 1,670 | (8,182) | 1,526 | (1,329) | (292) | - | - | (1,528) | 12,373 |
| Net interest (expense)/income | | | | | | | | | | | (139) | 51 |
| Foreign exchange loss | | | | | | | | | | | (542) | (494) |
| Corporate expenses | | | | | | | | | | | (6,125) | (6,326) |
| (Loss)/profit before income tax | | | | | | | | | | | (8,334) | 5,604 |
| Income tax benefit/(expense) | | | | | | | | | | | 997 | (287) |
| (Loss)/profit after income tax | | | | | | | | | | | (7,337) | 5,317 |
| Non-controlling interest loss/(profit) | | | | | | | | | | | (132) | - |
| (Loss)/profit for the year | | | | | | | | | | | (7,469) | 5,317 |

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. OPERATING SEGMENTS (Continued)

| Operating Segment | TV Production & Copyright | | Film & Television Distribution | | Home Entertainment | | Digital Marketing | | Other & Inter Segment Eliminations | | Consolidation | |
|--|---------------------------|---------|--------------------------------|---------|--------------------|---------|-------------------|---------|------------------------------------|-----------|---------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| ASSETS | | | | | | | | | | | | |
| Segment assets | 18,200 | 183,761 | 27,955 | 42,664 | 14,713 | 27,714 | 3,397 | 5,543 | (28,865) | (189,077) | 35,401 | 70,604 |
| Deferred tax assets & other non-current assets | | | | | | | | | | | 943 | 314 |
| Corporate assets | | | | | | | | | | | 37,640 | 5,463 |
| Total assets | | | | | | | | | | | 73,984 | 76,381 |
| LIABILITIES | | | | | | | | | | | | |
| Segment liabilities | 9,752 | 160,203 | 13,784 | 57,883 | 5,480 | 11,882 | 1,302 | 6,396 | 277 | (202,577) | 30,594 | 33,787 |
| Deferred tax liabilities | | | | | | | | | | | 1,183 | 2,494 |
| Corporate liabilities | | | | | | | | | | | 10,123 | (3,230) |
| Total liabilities | | | | | | | | | | | 41,900 | 33,051 |
| Other | | | | | | | | | | | | |
| Capital expenditure | 315 | 290 | 1 | 141 | 580 | 698 | 6 | 48 | 229 | 494 | 1,131 | 1,671 |
| Other non cash expenses | 222 | 479 | 872 | 233 | 1 | 0 | 26 | 130 | (380) | 256 | 741 | 1,098 |
| Impairment of assets | - | - | - | - | - | - | 444 | - | - | - | 444 | - |

Geographical Information

| | Segment revenues from external customers | | Carrying amount of segment assets | | Acquisition of non current segment assets | |
|---------------|--|---------|-----------------------------------|---------|---|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Australia | 38,493 | 56,162 | 37,648 | 47,223 | 1,120 | 1,522 |
| North America | 29,653 | 28,027 | 2,696 | 4,153 | 4 | - |
| Europe | 12,300 | 9,763 | 32,848 | 22,197 | 1 | 139 |
| Rest of World | 5,866 | 7,686 | 792 | 2,808 | 6 | 10 |
| | 86,312 | 101,638 | 73,984 | 76,381 | 1,131 | 1,671 |

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
FOR THE YEAR ENDED 30 JUNE 2017

4. OPERATING SEGMENTS (Continued)

Notes to and forming part of the segment information

(a) Accounting policies Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, capitalised production and development costs, investments, distribution advances, inventories, property, plant and equipment and goodwill and other intangible assets, net of any related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, producers share payable, bills of exchange and employee entitlements.

(b) Other segments Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

(c) Major customers Included in total revenues is revenue from customers in excess of 10% of total revenue individually. Total revenues relating to these customers are \$32m (2016: \$33m) within the TV Production & Copyright and Film & Television distribution segments, \$4.9m (2016: \$18m) within the Home Entertainment segment and \$1m (2016: \$1.2m) within the Digital Marketing segment.

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

| | | Consolidated Entity | |
|--|--|----------------------------|----------------|
| | | 2017 | 2016 |
| | | \$000's | \$000's |
| 5. REVENUES AND EXPENSES | | | |
| (a) Revenue and other income | | | |
| Revenue | | | |
| Sales revenue | | 85,045 | 99,708 |
| Royalty revenue | | 1,333 | 1,498 |
| Rental revenue | | 2 | 428 |
| | | 86,379 | 101,633 |
| Other income | | | |
| Management service fees | | 128 | 74 |
| External interest | | 45 | 86 |
| Gain on the sale of property, plant and equipment | | 1 | 1 |
| Total revenue and other income | | 86,553 | 101,794 |
| Recognition and measurement | | | |
| Revenue from operating activities represents revenue earned from the sale and licensing of the Consolidated Entity's products and services, net of returns and trade allowances. Other revenue from outside the operating activities includes interest income on short term investments, proceeds from sale of plant and equipment and net gains on foreign currency transactions. | | | |
| Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised: | | | |
| Revenue from Australian and international television production contracts is recognised using the percentage of completion method. | | | |
| Revenues from international television and feature film licensing contracts are recognised when the programming is able to be delivered and a licence agreement is signed by both parties. | | | |
| When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. | | | |
| Royalty revenue within the Distribution and Film divisions is recognised when received. | | | |
| Revenues from the sale of DVD inventory is recognised at the time the goods are dispatched, apart from consignment arrangements where revenue is recognised upon sale to the end customer. | | | |
| Rending of services revenue from a digital marketing contract to provide services is recognised by reference to the stage of completion of the project. Other digital marketing revenue is recognised when it is received or when the right to receive payment is established. | | | |
| Where amounts are invoiced before revenue is earned, a deferred revenue liability is brought to account. | | | |
| (b) (Loss)/profit before tax includes the following: | | | |
| Bad and doubtful debts | | | |
| - Trade receivables recovered during the period | | (59) | (229) |
| - Trade receivables movement in provision (Note 9) | | 83 | 336 |
| | | 24 | 107 |
| Provision for non recovery of advances | | 500 | 498 |
| Projects in development written off | | 209 | 513 |
| Rental expense on operating leases | | | |
| - Minimum lease payments | | 1,660 | 2,394 |
| Finance costs | | | |
| - External | | 184 | 35 |
| Gain / (loss) on disposal of asset | | 39 | (1) |
| Depreciation and amortisation | | | |
| - property, plant and equipment assets (note 13) | | 1,262 | 658 |
| - Intangible assets (note 14) | | 497 | 627 |
| - Other assets (Note 11) | | 1,442 | 1,615 |
| | | 3,200 | 2,900 |
| - Impairment of assets (Note 14) | | 444 | - |
| Foreign exchange loss / (gain) | | | |
| Fair value increase in derivative financial instruments (note 12) | | (66) | (87) |
| Other realised/unrealised foreign currency translation losses | | 608 | 581 |
| | | 542 | 494 |

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 65 003 174 409
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5. REVENUES AND EXPENSES (Continued)

(c) Auditors' Remuneration

Remuneration of the auditor of the parent entity and its controlled entities for:

- Audit or review of the financial report
- Tax compliance services

Remuneration of network firms for:

- Tax compliance services

Remuneration of other auditors of subsidiaries for:

- Audit or review of the financial report
- Other assurance services
- Tax compliance services

Consolidated Entity
2017 **2016**
\$ **\$**

| | |
|----------------|---------|
| 312,000 | 323,000 |
| 26,793 | 57,605 |
| | |
| 62,032 | 29,325 |
| | |
| 58,489 | 60,355 |
| 3,548 | 9,237 |
| 15,561 | 14,597 |

6. INCOME TAX EXPENSE

(a) The components of tax expense/(benefit) comprise:

Current income tax

Deferred income tax

Withholding tax

Adjustments in respect of current income tax of previous years

Derecognition of the tax losses previously brought to account

Other

Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income

2017 **2016 Restated**
\$000's **\$000's**

| | |
|----------------|------------|
| 62 | 762 |
| (3,449) | (490) |
| (20) | - |
| 96 | (43) |
| 2,351 | - |
| (37) | 58 |
| (997) | 287 |

The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to the income tax (benefit)/expense as follows:

(b)

(Loss)/profit before income tax

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)

Less:

Tax effect of :

- Other non-assesable/deductible items

Less:

Tax effect of :

- Adjustments in respect of current income tax of previous years
- Derecognition of the tax losses previously brought to account
- Effect of lower tax rate on overseas income
- Other

Add: Withholding tax expense

Income tax (benefit)/expense

The applicable weighted average effective tax rates are as follows:

| | |
|----------------|------------|
| (8,334) | 5,604 |
| | |
| (2,500) | 1,681 |
| | |
| 95 | (672) |
| (2,405) | 1,009 |
| | |
| 96 | (43) |
| 2,351 | - |
| (992) | (737) |
| (26) | 58 |
| | |
| (20) | - |
| (997) | 287 |
| | |
| 12% | 5% |

(c) Deferred Tax

Deferred tax liabilities

Distribution guarantees and unrecouped program expenses

Capitalised production costs and other expenses

Offset deferred tax liabilities against deferred tax assets

Deferred tax assets expected to be recovered within 12 months

Deferred tax assets expected to be recovered after more than 12 months

Deferred tax liabilities expected to be due within 12 months

Deferred tax liabilities expected to be due after more than 12 months

| | |
|----------------|----------------|
| (2,749) | (5,000) |
| (146) | (1,406) |
| 1,712 | 3,912 |
| (1,183) | (2,494) |
| | |
| 758 | 128 |
| 185 | 185 |
| 943 | 314 |
| | |
| (551) | (1,925) |
| (632) | (567) |
| (1,183) | (2,494) |

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| 6. INCOME TAX EXPENSE (Continued) | | 2017 \$000's | 2016 \$000's |
|---|--|-----------------|-----------------|
| Deferred tax assets | | | |
| Provisions and accruals | | 1,783 | 1,545 |
| Tax losses | | 871 | 2,681 |
| Offset deferred tax liabilities against deferred tax assets | | (1,712) | (3,912) |
| | | <u>943</u> | <u>314</u> |
| Net deferred tax liabilities | | (240) | (2,180) |
| Movements: | | | |
| Opening balance | | (2,180) | (2,670) |
| (Charged)/credited to profit or loss | | 1,940 | 490 |
| Closing Balance | | <u>(240)</u> | <u>(2,180)</u> |
| (d) Liabilities | | | |
| Current | | | |
| Income tax | | <u>261</u> | <u>-</u> |

The above is a current provision for income tax payable by the parent and subsidiaries of the Consolidated Entity.

Recognition and measurement

In accordance with the details below, deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities for Beyond TV Properties Bermuda and Beyond Film Properties Bermuda totaling \$801,943 (2016: \$801,523) have not been recognised due to the existence of tax losses not brought to account.

Movement in deferred tax assets and deferred tax liabilities has gone through the Statement of Profit or Loss and Other Comprehensive Income.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (or recovered from) the relevant tax authority.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also arise where amounts have been fully expensed but future deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax Consolidation

Beyond International Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidated regime. Each entity in the group recognises its own current and deferred tax assets, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the head entity, being Beyond International Limited. The current tax liability for each group entity is then subsequently assumed by the parent entity.

The tax consolidated group has entered into a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Pursuant to the funding arrangement, transfers of tax losses or tax liabilities are assumed by the head entity through intercompany loans.

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7. EARNINGS PER SHARE

| | Consolidated Entity | |
|--|---------------------|-----------------|
| | 2017 | 2016 |
| | Cents per share | Cents per share |
| Basic and diluted (loss)/earnings per share: | (12.18) | 8.67 |

The following reflects the income and share data used in the basic and diluted earnings per share computations

| | Consolidated Entity | |
|---|---------------------|------------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| Net (loss)/profit attributable to ordinary equity holders (used in calculating basic earning and diluted per share) | (7,469) | 5,317 |
| Net (loss)/profit attributable to ordinary equity holders (used in calculating diluted earning per share) | (7,469) | 5,317 |
| Weighted average number of ordinary shares in calculating basic earnings and diluted per share | Number | Number |
| | 61,336,968 | 61,336,968 |

Recognition and measurement
Basic earnings per share is calculated as net (loss)/profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element
Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:
• costs of servicing equity (other than dividends) and preference share dividends;
• the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
• other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

8. CASH FLOW INFORMATION

| | Consolidated Entity | |
|--|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| (a) Reconciliation of cash flows from operations with net loss after income tax | | |
| (Loss)/profit after income tax | (7,337) | 5,317 |
| Adjustment for non-cash flow in profit: | | |
| Depreciation and amortisation | 3,200 | 2,900 |
| Net gain on sale of property, plant and equipment | 39 | (1) |
| Share of Joint venture operation | 55 | 404 |
| Unrealised foreign exchange (gain)/loss | 542 | 494 |
| Write off investments revaluation reserve | 423 | - |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 12,337 | (9,082) |
| (Increase)/decrease in inventory | (742) | 187 |
| (Increase)/decrease in other assets | (2,133) | (3,742) |
| (Increase)/decrease in deferred tax assets | (629) | 489 |
| (Decrease)/increase in trade and other creditors | (174) | (571) |
| (Decrease)/increase in other financial liabilities | (2,267) | 6,980 |
| (Decrease) in deferred income tax liability | (1,311) | (979) |
| Increase in other liabilities | 3,345 | 1,245 |
| Increase in provisions | 538 | 1,485 |
| Cash flow from operations | 5,887 | 5,127 |

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8. CASH FLOW INFORMATION (Continued)

| Consolidated Entity | |
|---------------------|---------|
| 2017 | 2016 |
| \$000's | \$000's |

(b) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available

| | | |
|-------------------------------|-------|-------|
| Secured multi option facility | | |
| Used at reporting date * | 579 | 579 |
| Unused at reporting date | 2,186 | 2,186 |
| Total facility | 2,765 | 2,765 |

* The amount of the facility used at reporting date is for bank guarantees on various building leases held by the Group

The multi option facility may be drawn at any time and may be terminated by the bank on demand.

The interest rate on the facility is the commercial base rate of 8.22% at 30 June 2017 (8.24% at 30 June 2016).

| | | |
|-----------------------------------|-------|---|
| Bill acceptance/discount facility | | |
| Used at reporting date * | 5,744 | - |
| Unused at reporting date | 256 | - |
| Total facility | 6,000 | - |

* The amount of the facility used at reporting date is for funding production offsets

The bill acceptance/discount facility may be drawn at any time and may be terminated by the bank on demand.

The interest rate on the facility is the discount base rate of 3.20% at 30 June 2017 (0% at 30 June 2016).

The facilities are secured by certain covenants on the Consolidated Entity that these financial conditions are met -

- a) Minimum capital adequacy rate of 50%
- b) Gross debt less cash cannot be more than 2 x EBITDA
- c) Interest cover ratio of 5x
- d) Total bill facility drawdowns cannot exceed 85% of total producer offsets

| | | |
|--------------------------------|-----|-----|
| Secured credit card facilities | | |
| Used at reporting date | 181 | 122 |
| Unused at reporting date | 84 | 28 |
| Total facility | 265 | 150 |

| | | |
|---------------------------------|-----|-----|
| Secured equipment loan facility | | |
| Unused at reporting date | 500 | 500 |
| Total facility | 500 | 500 |

The interest rate on the facility is determined on usage as at the time. As no facility is being used no rate is applicable.

Amount of Assets Pledged as Security

| | | |
|---------------------------------------|--------|--------|
| Fixed and floating charge over assets | 73,984 | 76,381 |
| Total assets pledged as security | 73,984 | 76,381 |

Recognition and measurement

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.
For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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| | | Consolidated Entity | | |
|---|--------|---------------------|---------|-----------|
| | | 2017 | 2016 | |
| | | \$000's | \$000's | |
| 9. TRADE AND OTHER RECEIVABLES | | | | |
| Current | | | | |
| Trade receivables | | 26,144 | 33,040 | |
| Provision for impairment of receivables | | (440) | (357) | |
| | | 25,704 | 32,684 | |
| Non-current | | | | |
| Trade receivables | | 6,825 | 8,496 | |
| | | 6,825 | 8,496 | |
| | | Consolidated Entity | | |
| | | 2017 | 2016 | |
| | | \$000's | \$000's | |
| Ageing of debtors | | | | |
| | Gross | Provision | Gross | Provision |
| Not past due | 29,474 | - | 17,999 | - |
| Past due 0-90 days | 2,116 | - | 10,721 | - |
| Past due 91-180 days | 556 | - | 6,788 | - |
| Past due 180+ days | 823 | (440) | 5,733 | (357) |
| | 32,969 | (440) | 41,240 | (357) |
| | | Consolidated Entity | | |
| | | 2017 | 2016 | |
| | | \$000's | \$000's | |
| Reconciliation of provision for impairment of receivables | | | | |
| Opening balance | | (357) | (21) | |
| Additional provision recognised | | (103) | (435) | |
| Utilised | | 20 | 100 | |
| Closing balance | | (440) | (357) | |

Recognition and measurement

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts or impairment. The following specific recognition criteria must also be met before a receivable is recognised:

Production debtors - receivables are recognised as they are due for settlement, within a term of no more than 30 days.

Licensing debtors - receivable is recognised once a licence agreement is signed by both parties and the programme is able to be delivered. Payment terms are usually based upon signature, delivery and acceptance. In certain contracts instalment payments may extend over the term of the licence agreement.

A provision for doubtful debts is raised when there is objective evidence that the Consolidated Entity will not be able to collect the debts based on a review of all outstanding amounts at the reporting date. Bad debts are written off when they are identified.

Credit terms for the Consolidated Entity's receivables vary between individual divisions. Distribution, Films and Productions debtors are generally due based on milestones achieved. Debtors within other divisions have credit terms ranging from 30 to 90 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, based on an assessment of individual debtors and the likelihood of recoverability. For Distribution & Films debtors, the Consolidated Entity provides fully for receivables over 360 days, with the exception of specific identifiable receivables which are still considered recoverable. Distribution and Film debtors consist largely of television networks, many of which are government owned, or are listed entities whose published annual reports indicate they continue to be credit-worthy.

Debtors within other divisions, including the Beyond D business unit, are provided for on a specific basis based on an assessment of recoverability. Home Entertainment debtors largely consist of multi-national retail chains, many of which are listed and whose published annual reports indicate they continue to be credit-worthy.

In 2016 a 100% owned special purpose entity, HL Beyond Limited, took out a limited recourse facility to fund production on the The White Rabbit Project. Trade receivables in relation to the transaction have been recognised as current or non current to reflect the payment schedule of licence fees by the commissioning broadcaster to the facility provider. The amount in current is \$2,373,427 (2016: \$3,049,407) and the amount in non current is \$2,339,833 (2016: \$3,931,062)

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Consolidated Entity
2017 2016
\$000's \$000's

10. INVENTORIES

Current

| | | |
|--|--------------|--------------|
| DVD Stock - raw material at cost | 104 | 276 |
| DVD Stock - finished goods at net realisable value | 3,480 | 2,560 |
| Stock footage - at cost | 40 | 46 |
| | <u>3,624</u> | <u>2,882</u> |

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Inventories represent stock TV footage and DVD stock at cost. As the footage is used it will be included within the production cost of the programme.

Costs of purchasing inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

Inventories sold on consignment remain in the financial statements as stock on hand until sold to the end customer.

Costs are assigned to an individual item of inventory on the basis of weighed average costs.

11. OTHER ASSETS

Current

| | | |
|-------------------------------|------------|------------|
| Capitalised development costs | 2,307 | 2,055 |
| Less: deferred revenue | (1,412) | (1,285) |
| | <u>895</u> | <u>770</u> |

| | | |
|---|--------------|--------------|
| Distribution advances | 17,619 | 14,012 |
| Accumulated amortisation of distribution advances (i) | (13,584) | (11,380) |
| | <u>4,034</u> | <u>2,632</u> |

| | | |
|------------------------------|---------------|---------------|
| Prepaid royalties | 6,805 | 6,312 |
| Capitalised production costs | 1,387 | 5,695 |
| Prepayments | 928 | 1,045 |
| | <u>2,314</u> | <u>6,740</u> |
| | <u>14,048</u> | <u>16,454</u> |

Non-current

| | | |
|---|-----------|------------|
| Distribution advances | 90 | 2,123 |
| Accumulated amortisation of distribution advances (i) | - | (1,372) |
| | <u>90</u> | <u>751</u> |

| | | |
|-----------------------------------|--------------|------------|
| Capitalised Production Costs | 6,989 | - |
| Investment in 3rd Party Copyright | 341 | - |
| | <u>7,421</u> | <u>751</u> |

Recognition and measurement

Capitalised development costs

Costs of developing new programme concepts, which the Directors believe are probable of being recovered from future revenues, are capitalised. Capitalised costs are costed into the production or are written off in the event that the programme does not proceed. These costs are classified as current assets as the costs of developing new programmes are expected to be realised within one year.

Capitalised production costs

Television production costs are capitalised and amortised against future sales revenue. Forecast sales revenues are reviewed regularly and the amortisation rate is adjusted to reflect the estimates of future licensing revenue of each production. Where doubt exists as to the ability to recover the expenditure from future sales, the amounts in doubt are provided for in the year in which the assessment is made. If a title has not been fully amortised after six years the balance is written off. The 2017 accounts includes an amount of \$192,000 on adoption of this policy.

The estimates relating to future licencing revenues of each production have been re-assessed in the 2017 financial year and amounts that are not expected to be recouped within 12 months have been reclassified as non-current in the 2017 financial year.

Capitalised production costs are disclosed in the accounts net of any cash progress payments received on projects. Where such progress payments exceed these costs the net amounts are disclosed as deferred revenue.

Distribution advances and capitalised production costs are monitored on a title by title basis. The provision detailed above is included within the depreciation and amortisation expense disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

Distribution advances

Distribution advances for television and feature film distribution rights, and prepaid royalties for the DVD rights, are capitalised at cost as paid, and recouped from future sales on cash receipt.

The method of estimating amortisation has changed in relation to distribution advances and prepaid royalties. If a title has an unrecouped distribution advance after 3 years the balance is written off in full at the start of the fourth year. Any unrecouped prepaid royalty for DVD rights are amortised over the final two years of the licence period. The 2017 accounts includes an adjustment of \$291,000 on adoption of this change in policy.

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11. OTHER ASSETS (Continued)

Prepaid Royalties

The Home Entertainment division recognises royalties paid in advance initially at cost. This amount is reduced when sales are made.

Prepayments

Amounts paid in advance are recorded at cost and are subsequently expensed based on the actual month of expenditure.

Investment in 3rd party copyright

The Company has invested in the rights to receive future revenue streams from a 3rd party produced program.

| | | Consolidated Entity | |
|--|--------------|----------------------------|----------------|
| | | 2017 | 2016 |
| | | \$000's | \$000's |
| 12. FINANCIAL ASSETS & FINANCIAL LIABILITIES | Notes | | |
| Available-for-sale financial assets | | - | 14 |
| Derivative financial assets / (liabilities) | | 62 | (4) |
| | | 62 | 10 |
| (a) Available-for-sale financial (non current) | | | |
| Listed investments: | | | |
| Shares - at fair value | | - | 14 |
| (b) Derivative financial assets / (liabilities) (current) | | | |
| Foreign currency forward contracts - at fair value | 29 | 62 | (4) |

In 2008, the Consolidated Entity purchased 10% of the ordinary share capital of Motive Television Plc. The company ceased trading in 2017 and the fair value of shares was written off against the revaluation reserve. In 2016, a \$9,167 gain for the revaluation of the shares was recognised in Other Comprehensive Income.

Fair value of financial instruments measured on a recurring basis

The financial instruments recognised and disclosed at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| | Consolidated Entity | | | Consolidated Entity | | |
|---|----------------------------|----------------|----------------|----------------------------|----------------|----------------|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Financial assets and financial liabilities: | | | | | | |
| Available-for-sale financial assets: | | | | | | |
| - listed investments | - | - | - | 14 | - | 14 |
| Financial liabilities at fair value through profit or loss: | | | | | | |
| - derivative instruments | - | 62 | 62 | - | (4) | (4) |
| | - | 62 | 62 | 14 | (4) | 10 |

During the 2017 financial period, the Consolidated Entity had nil value of Level 3 financial assets and financial liabilities (2016: nil).

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

There has been no change in the valuation technique used in the current or previous reporting period.

Included within Level 2 of the hierarchy are derivatives not traded in an active market (foreign currency forward contracts). The fair values of these derivatives are determined using valuation techniques which uses only observable market data relevant to the hedged position.

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12. FINANCIAL ASSETS & FINANCIAL LIABILITIES

There has been no change in the valuation technique used in the current or previous reporting period.

During the current and previous reporting periods, there were no transfers between levels.

Fair value of financial instruments not measured at fair value on a recurring basis

The following financial instruments are not measured at fair value in the statement of financial position. These had the following fair values:

| | Consolidated Entity | | | |
|--------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| | 2017 | | 2016 | |
| | Carrying Amount \$000's | Fair Value \$000's | Carrying Amount \$000's | Fair Value \$000's |
| NON-CURRENT ASSETS | | | | |
| Trade and other receivables | 6,825 | 6,319 | 8,496 | 7,867 |
| | 6,825 | 6,319 | 8,496 | 7,867 |
| NON-CURRENT LIABILITIES | | | | |
| Other non-current liabilities | 2,362 | 2,187 | 1,854 | 1,717 |
| | 2,362 | 2,187 | 1,854 | 1,717 |

Recognition and measurement

The fair values of the trade and other receivables and other non-current liabilities above are included in the level 2 category and have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being a discount of 8% to determine fair value.

Due to their short-term nature, the carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables are assumed to approximate their fair value.

Available-for-sale Financial Assets

Shares held in a listed entity are classified as being available-for-sale. These assets were initially recorded at cost and at each reporting date are revalued to fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve unless there is a prolonged or significant decline, upon which the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The classification of items within this category depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Derivative Financial Instruments

The Consolidated Entity enters into forward foreign exchange agreements and foreign currency options on production contracts in order to manage its exposure to foreign exchange rate risks. Exchange contracts are brought to account as explained in note 3.

Refer to note 29 for further information on financial instruments.

13. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Entity | | |
|---|------------------------------|----------------------------------|------------------|
| | Plant & equipment \$000's | Leased MV & equipment \$000's | Total \$000's |
| Year ended 30 June 2017 | | | |
| Balance at 01 July 2016 | 2,590 | - | 2,590 |
| Additions | 1,133 | - | 1,133 |
| Disposal | (47) | - | (47) |
| Depreciation charge for the year | (1,262) | - | (1,262) |
| Carrying amount at 30 June 2017 | 2,414 | - | 2,414 |
| As at 01 July 2016 | | | |
| Cost | 9,503 | 385 | 9,888 |
| Accumulated depreciation and impairment | (6,913) | (385) | (7,298) |
| Net carrying amount | 2,590 | - | 2,590 |
| As at 30 June 2017 | | | |
| Cost | 10,340 | 385 | 10,725 |
| Accumulated depreciation and impairment | (7,926) | (385) | (8,311) |
| Net carrying amount | 2,414 | - | 2,414 |

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Year ended 30 June 2016

Balance at 01 July 2015
Additions
Disposal
Depreciation charge for the year
Carrying amount at 30 June 2016

As at 01 July 2015

Cost
Accumulated depreciation and impairment
Net carrying amount

As at 30 June 2016

Cost
Accumulated depreciation and impairment
Net carrying amount

| Consolidated Entity | | |
|---------------------------|-------------------------------|---------------|
| Plant & equipment \$000's | Leased MV & equipment \$000's | Total \$000's |
| 1,850 | - | 1,850 |
| 1,671 | - | 1,671 |
| (273) | - | (273) |
| (658) | - | (658) |
| 2,590 | - | 2,590 |
| 13,645 | 385 | 14,030 |
| (11,795) | (385) | (12,180) |
| 1,850 | - | 1,850 |
| 9,503 | 385 | 9,888 |
| (6,913) | (385) | (7,298) |
| 2,590 | - | 2,590 |

Recognition and measurement

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment loss.

The expected useful lives are as follows:

Plant equipment and leasehold improvements: 3 to 10 years.

Plant equipment & leasehold improvements

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

Depreciation and Amortisation

Depreciation on property, plant and equipment is calculated on a straight line basis to write off the net cost over its expected useful life to the Consolidated Entity. Estimates of the remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items.

14. INTANGIBLE ASSETS

Patents and Licenses - at cost
Less: Accumulated amortisation

Websites and Databases - at cost
Less: Accumulated amortisation and impairment

Goodwill - at cost
Accumulated amortisation and impairment

| Consolidated Entity | |
|---------------------|--------------|
| 2017 \$000's | 2016 \$000's |
| 150 | 232 |
| - | (82) |
| 150 | 150 |
| 3,686 | 3,557 |
| (3,566) | (2,626) |
| 119 | 931 |
| 5,250 | 5,250 |
| (650) | (650) |
| 4,600 | 4,600 |
| 4,869 | 5,681 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated Entity | | | |
|---------------------|-------------------------------|-----------------------------|--------------|
| Goodwill \$'000 | Websites and Databases \$'000 | Patents and Licenses \$'000 | Total \$'000 |
| 4,600 | 1,313 | 150 | 6,062 |
| - | 246 | - | 246 |
| - | (627) | (0) | (627) |
| 4,600 | 931 | 150 | 5,681 |
| - | 128 | - | 128 |
| - | (497) | - | (497) |
| - | (444) | - | (444) |
| 4,600 | 119 | 150 | 4,869 |

Balance at 01 July 2015
Additions
Amortisation expense

Balance at 30 June 2016
Additions
Amortisation expense
Impairment loss
Balance at 30 June 2017

14. INTANGIBLE ASSETS (Continued)

Recognition and measurement

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill

Goodwill acquired and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill as an infinite life asset, is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and licenses

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life, which is 20 years.

Websites and Databases

Websites and Databases are recognised at cost. Websites and Databases are amortised over their useful life, which is 3 years, on a straight line basis.

Impairment Disclosure
There were impairment losses recognised by the consolidated entity in respect of the website and database assets in the current financial year of \$444,000 (2016: nil).

The following assumptions were used in the value-in-use calculations:

| | Growth Rate | | Discount Rate | |
|------------------------------------|-------------|------------|---------------|-------------|
| Beyond D business | 3% | (2016: 0%) | 15% | (2016: 15%) |
| Beyond Home Entertainment business | 0% | (2016: 5%) | 15% | (2016: 10%) |
| All other businesses | 5% | (2016: 5%) | 10% | (2016: 10%) |

Historical performance of the relevant businesses show the above growth rates to be reasonable.

Sensitivity - Digital Marketing Division
As disclosed in Note 3 the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in carrying amount. The sensitivities are as follows based on a discounted cash flow over 5 years:

- a. If the growth rate decreased by up to 7% (i.e. from 3% to -4% or lower), with all other assumptions remaining constant, impairment of goodwill would still not be required.
- b. If the discount rate increased by more than 5% (i.e. from 15% to 20%) , with all other assumptions remaining constant, impairment of goodwill would still not be required.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the digital marketing division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment of the digital marketing division goodwill.

Sensitivity - Home Entertainment Division
As disclosed in Note 3 the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in carrying amount. The sensitivities are as follows based on a discounted cash flow over 5 years:

- a. If the growth rate decreased by up to 7% (i.e. from 0% to -7% or lower), with all other assumptions remaining constant, impairment of goodwill would still not be required.
- b. If the discount rate increased by more than 5% (i.e. from 15% to 20%) , with all other assumptions remaining constant, impairment of goodwill would still not be required.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the home entertainment division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment of the home entertainment division goodwill.

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15. TRADE AND OTHER PAYABLES

Current (unsecured)

Trade payables
Other creditors and accruals

| Consolidated Entity | |
|---------------------|---------|
| 2017 | 2016 |
| \$000's | \$000's |
| 5,662 | 3,625 |
| 2,662 | 1,502 |
| 8,324 | 5,127 |

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

Credit terms on trade payables vary between business units and range from 7 days to 90 days. Contractual maturities of trade and other payables have been disclosed in Note 29.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to the consolidated entity's joint venture is set out below:

| | | Ownership interest | |
|---|--|--------------------------|---------|
| | | 2017 | 2016 |
| | | % | % |
| Name | Principal place of business / Country of incorporation | | |
| 7Beyond Media Rights Ltd | United States of America / Ireland | 50% | 50% |
| Summarised financial information | | 7Beyond Media Rights Ltd | |
| | | 2017 | 2016 |
| | | \$000's | \$000's |
| Summarised statement of financial position | | | |
| Cash and cash equivalents | | 454 | 373 |
| Other current assets | | 628 | 386 |
| Non-current assets | | 395 | 400 |
| Total assets | | 1,477 | 1,159 |
| Current financial liabilities (excluding trade and other payables and provisions) | | - | 7 |
| Other current liabilities | | 850 | 880 |
| Non-current liabilities | | 1 | - |
| Total liabilities | | 851 | 887 |
| Net assets | | 626 | 272 |
| Summarised statement of profit or loss and other comprehensive income | | | |
| Revenue | | 6,260 | 2,195 |
| Other revenue | | 499 | 74 |
| Production costs | | (6,428) | (3,228) |
| Administration costs | | (186) | (191) |
| Net foreign exchange gain /(loss) | | (234) | 92 |
| Loss before income tax | | (89) | (1,058) |
| Income tax (benefit)/expense | | (21) | 249 |
| Loss after income tax | | (110) | (809) |
| Total comprehensive income | | (110) | (809) |

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16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

| | Consolidated Entity | |
|--|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| <i>Reconciliation of the consolidated entity's carrying amount</i> | | |
| Opening carrying amount | 136 | (176) |
| Funds advanced to joint venture | 233 | 716 |
| Share of loss after income tax | (55) | (404) |
| Closing carrying amount | 313 | 136 |

There are no outstanding commitments at reporting date.

Recognition and measurement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment. A liability is recognised in other creditors and accruals when the losses generated by the joint venture exceed the amount invested into it.

17. EMPLOYEE BENEFITS

| | Consolidated Entity | |
|--|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| Current | | |
| Provision for annual leave and long service leave | 3,419 | 3,538 |
| | 3,419 | 3,538 |
| Non-current | | |
| Provision for long service leave | 287 | 340 |
| | 287 | 340 |
| Total employee benefits | 3,706 | 3,878 |
| | | |
| Annual leave obligations accounted for as current and expected to be settled after 12 months | 612 | 550 |
| | 612 | 550 |

Recognition and measurement

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. The entire amount of the annual leave provision is presented as current, since the consolidated entity does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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| | Consolidated Entity | |
|-----------------------------------|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| 18. OTHER FINANCIAL LIABILITIES | | |
| Current | 2,373 | 3,049 |
| Non-current | 2,340 | 3,931 |
| Total other financial liabilities | 4,713 | 6,980 |

In 2016 a 100% owned special purpose entity, HL Beyond Limited, took out a limited recourse facility to fund production on The White Rabbit Project. The facility is secured by the intellectual property created by the production and there is no recourse or obligation to repay the facility against any other company in the Group. The liability and the corresponding receivable will be extinguished on either payment by the commissioning broadcaster to the facility provider, or if the commissioning broadcaster defaults on payment.

Recognition and measurement

Amounts were originally recognised at the fair value of the consideration received. They are subsequently measured at amortised cost using the effective interest method with the liability reduced when amounts are received from the debtor.

| | Consolidated Entity | |
|------------------------|---------------------|---------------|
| | 2017 | 2016 Restated |
| | \$000's | \$000's |
| 19. OTHER LIABILITIES | | |
| Current | | |
| Unsecured liabilities | | |
| Deferred revenue | 6,213 | 3,444 |
| GST payable | 225 | 312 |
| Producer share payable | 9,039 | 8,818 |
| Other | 130 | 141 |
| | 15,607 | 12,715 |
| Non-current | | |
| Unsecured liabilities | | |
| Producer share payable | 2,362 | 1,854 |
| | 2,362 | 1,854 |

| | Consolidated Entity | |
|---------------------|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| 20. BORROWINGS | | |
| Current | | |
| Secured liabilities | | |
| Loan - St George | 5,744 | - |

Recognition and measurement

Borrowings are initially valued at fair value of the consideration received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method

The Company was in breach of covenants associated with the borrowings and as such is classified as current. Note that the bank has subsequently waived the breaches.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs include:

- Interest on bank overdraft and short-term and long-term borrowings; and
- Finance lease charges.

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| 21. ISSUED CAPITAL | Consolidated Entity | |
|--|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| (a) Share Capital | | |
| 61,336,968 ordinary shares - fully paid (2016: 61,336,968) | 34,018 | 33,991 |

The company has authorised capital amounting to 100,000,000 ordinary shares of no par value.

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

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

(b) Share Options
On 1 May 1998 at an extraordinary general meeting shareholders approved the establishment of the Beyond Employee Share Option Plan. Under the plan any options on issue are cancellable at the Directors discretion upon an option holder ceasing to be an employee.

(c) Employee Share Plan
On 21 April 2006, a total of 962,500 shares were issued under the employee plan to eligible employees and directors, and the company has entered into limited non-recourse loan agreements with participants to provide the funds necessary to subscribe for those shares. Shares were issued in accordance with the Employee Plan rules (refer note 27).
On 7 December 2009 and 11 March 2010, a total of 1,625,000 shares were issued under the employee plan to eligible employees and directors, and the company has entered into limited non-recourse loan agreements with participants to provide the funds necessary to subscribe for those shares. Shares were issued in accordance with the Employee Plan rules (refer note 27).

22. RESERVES

Employee Share Plan Benefit Reserve
The employee share plan benefit reserve records items recognised as expenses on valuation of employee share options.

Investment Revaluation Reserve
The investment revaluation reserve records unrealised share price and foreign exchange gains and losses on the available-for-sale financial instruments in Note 12.

Foreign Currency Translation Reserve
The foreign currency translation reserve records the variance between converting the Statement of Financial Position at closing spot rate and the Statement of Profit or Loss and Other Comprehensive Income at average rate for Magna Home Entertainment NZ Limited and Beyond D (NZ) Limited which have a functional currency of New Zealand Dollars (NZD).

| 23. NON-CONTROLLING INTEREST | Consolidated Entity | |
|------------------------------|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| Interest in: | | |
| Accumulated profits/(losses) | 132 | - |
| | 132 | - |

| 24. DIVIDENDS | Consolidated Entity | |
|---|---------------------|---------|
| | 2017 | 2016 |
| | \$000's | \$000's |
| Distributions paid | | |
| Interim unfranked ordinary dividend of two cents per share totalling \$1,226,739 (2016: five cents) | 1,227 | 3,067 |
| In the prior year, on August 30 2016, the Directors declared a final partly franked dividend of 5 cents per share, totalling \$3,067,000. | | |
| Net franking credits available based on a tax rate of 30% (2016: 30%) | 446 | 577 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
- (d) franking credits that may be prevented from being distributed in subsequent financial years

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25. CONTINGENT ASSETS AND LIABILITIES

The consolidated entity had no contingent assets as at 30 June 2017 (2016: nil).

The consolidated entity has given bank guarantees as at 30 June 2017 of \$579,416 (2016: \$579,416) to various landlords.

| Consolidated Entity | |
|---------------------|---------|
| 2017 | 2016 |
| \$000's | \$000's |

26. COMMITMENTS

(i) OPERATING LEASE PAYABLE COMMITMENTS

Total lease expenditure contracted at reporting date
but not recognised in the financial statements:

| | | |
|---|--------------|--------------|
| Payable no later than one year | 1,514 | 1,358 |
| Payable later than one, not later than five years | 3,829 | 1,867 |
| Payable later than five years | 817 | - |
| | <u>6,160</u> | <u>3,225</u> |

Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

(ii) DISTRIBUTION GUARANTEE COMMITMENTS

In the course of the Consolidated Entity's feature film, television and Home Entertainment businesses, commitments to pay distribution guarantees and advances of minimum proceeds from sales have been made to producers at reporting date but not recognised in the financial statements:

| | | |
|---|--------------|--------------|
| Not later than one year | | |
| Distribution Guarantee | 2,628 | 1,254 |
| Home Entertainment Advances | 1,626 | 2,187 |
| Later than one year but not later than five years | | |
| Distribution Guarantee | 132 | 163 |
| Home Entertainment Advances | 975 | 1,164 |
| Later than five years | <u>5,361</u> | <u>4,768</u> |

The above commitments to pay distribution guarantees have been entered into in the normal course of business.

Recognition and measurement

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where property, plant and equipment is acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Operating lease payments are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis.

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27. SHARE BASED PAYMENTS

General Employee Share Loan Plan

The Board has adopted an employee share plan under which employees and Directors of the Consolidated Entity may subscribe for shares in the Company using funds loaned to them by the Consolidated Entity. The Board has also adopted a share plan on substantially the same terms for consultants of the Consolidated Entity (Consultant Plan). The purpose of the Employee Plan is to:

- (a) assist in the retention and motivation of employees and Directors of the Consolidated Entity by providing them with a greater opportunity to participate as shareholders in the success of the Consolidated Entity; and
- (b) create a culture of share ownership amongst the employees of the Consolidated Entity.

There have been three issues of shares under the Employee Share plan as follows:

- On 21 April 2006, 962,500 shares were issued under the Employee Plan to eligible employees and Directors of Beyond International Limited and its controlled entities. 600,000 of these shares remain redeemable at 30 June 2017.
- On 7 December 2009, 300,000 shares were issued under the Employee Plan to eligible employees and Directors of Beyond International Limited and it's controlled entities. 200,000 of these shares remain redeemable at 30 June 2017.
- On 11 March 2010, 1,325,000 shares were issued under the Employee Plan to eligible employees and Directors of Beyond International Limited and it's controlled entities. 725,000 of these shares remain redeemable at 30 June 2017.

In all cases the company entered into limited non-recourse loan agreements to provide participants the funds necessary to subscribe for those shares. Shares were issued in accordance with the Employee Plan rules.

The loans were made based on the greater of market value of the shares on allotment date and \$0.645 (Dec 09 - 2010 plan), \$0.75 (Mar 10 - 2010 plan) & \$0.60 (2006 plan). As the loans are non-recourse, the value of the loans are not recognised as an asset, and the corresponding share value is not recorded in equity. The total of the Plan Shares are included in Issued Capital at note 21(a).

Notwithstanding any other provision of the Plan, each Participant has a legal and beneficial interest in the Shares issued to him or her and is at all times absolutely entitled to those Plan Shares, except that any dealings with those Shares by the Participant may be restricted in accordance with the plan rules. Plan Shares rank equally with all existing Shares from the date of issue in respect of all rights issues, bonus issues, dividends and other distributions to, or entitlements of, holders of existing Shares where the record date for such corporate actions is after the relevant Plan Shares are issued. On termination, the Participant may elect to pay the loan or transfer all of their Plan Shares back to the Company, subject to requirements of the Corporations Act. If the Participant transfers the shares back to the Company, the Company may:

- i) transfer the Plan Shares for the issue price to a person nominated by the Company; or
- ii) procure a broker to sell all or any of the Plan Shares on-market.

Share movements in the plan as follows:

| | Number of shares | Change in equity value \$000's |
|--|---------------------|--------------------------------------|
| Outstanding at the beginning of year | 1,560,000 | |
| Redemption of shares under the employee share plan | (35,000) | 26 |
| Exercisable at year end | 1,525,000 | |

The Plan Shares issued as part of the 2010 Plan required that Participants could only deal with the shares on a pro-rata basis for a 3 year period. During this period, the Company accounted for the Plan Shares as if they were options. The grant fair value of the shares was amortised across the vesting period as follows:

| Vesting period | Amortisation \$ |
|------------------------------------|--------------------|
| 11 March 2010 to 30 June 2010 | 15,587 |
| Financial year ending 30 June 2011 | 66,718 |
| Financial year ending 30 June 2012 | 66,718 |
| Financial year ending 30 June 2013 | 47,602 |

The grant fair value of the 2010 plan was calculated by using the Black Scholes option pricing model applying the following inputs:

| | |
|-------------------------------------|--------|
| Weighted average exercise price | \$0.75 |
| Weighted average life of the option | 3 |
| Underlying share price | \$0.75 |
| Expected share price volatility (i) | 30% |
| Risk free interest rate | 5.00% |
| Expected dividend rate | 6.00% |

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27. SHARE BASED PAYMENTS (Continued)

Weighted average fair value price \$0.10

(i) Expected share price volatility has been estimated based on the historical volatility of the Company's share price.

28. GROUP STRUCTURE

| (a) Controlled entities consolidated | | Beyond International Limited | |
|--|---------------------------------------|------------------------------------|--------|
| Name of entity | Country of formation or incorporation | direct interest in ordinary shares | |
| | | 2017 % | 2016 % |
| Ultimate parent entity | | | |
| Beyond International Limited | Australia | | |
| Controlled entities of Beyond International Limited: | | | |
| Beyond Films Limited | Australia | 100 | 100 |
| Beyond Television Group Pty Ltd | Australia | 100 | 100 |
| Beyond Television Pty Ltd | Australia | 26 | 26 |
| Beyond Entertainment Pty Ltd | Australia | 100 | 100 |
| Beyond Simpson le Mesurier Pty Ltd | Australia | 51 | 51 |
| Liberty & Beyond Pty Ltd | Australia | 51 | 51 |
| Beyond Imagination Pty Ltd | Australia | 51 | 51 |
| Beyond Miall Kershaw Pty Ltd | Australia | 51 | 51 |
| Pacific & Beyond Pty Ltd | Australia | 51 | 51 |
| Beyond Screen Productions Pty Ltd | Australia | 100 | 100 |
| Beyond Home Entertainment Pty Ltd | Australia | 100 | 100 |
| Beyond Entertainment Holdings Limited | Ireland | 100 | 100 |
| Beyond D Pty Ltd | Australia | 100 | 100 |
| Beyond West Pty Ltd | Australia | 100 | 100 |
| Controlled entities of Beyond Entertainment Pty Ltd: | | | |
| Mullion Creek and Beyond (partnership) | Australia | 51 | 51 |
| Equus Film Productions Pty Ltd | Australia | 51 | 51 |
| BTVUS Pty Ltd | Australia | 100 | 100 |
| Clandestine Beyond Pty Ltd | Australia | 51 | - |
| Controlled entities of Liberty & Beyond Pty Ltd: | | | |
| Liberty & Beyond Productions Pty Ltd | Australia | 100 | 100 |
| Controlled entities of Beyond Television Group Pty Ltd: | | | |
| Beyond Television Pty Ltd | Australia | 74 | 74 |
| Controlled entities of Beyond Television Pty Ltd: | | | |
| Beyond Properties Pty Ltd | Australia | 100 | 100 |
| Beyond Productions Pty Ltd | Australia | 100 | 100 |
| Beyond Distribution Pty Ltd | Australia | 100 | 100 |
| Controlled entities of Beyond Properties Pty Ltd: | | | |
| Beyond Pty Ltd | Australia | 100 | 100 |
| Beyond International Group Inc | USA | 100 | 100 |
| The Two Thousand Unit Trust * | Australia | 100 | 100 |
| * The corporate trustee of the trust is Beyond Properties Pty Ltd. | | | |
| Controlled entities of Beyond International Group Inc: | | | |
| Beyond Productions Inc | USA | 100 | 100 |

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28. GROUP STRUCTURE (Continued)

| | Country of formation or incorporation | Interest in ordinary shares | |
|--|---|-----------------------------|-----------|
| | | 2017 % | 2016 % |
| Controlled entities of | | | |
| Beyond Simpson le Mesurier Pty Ltd: | | | |
| Beyond Simpson le Mesurier Productions Pty Ltd | Australia | 100 | 100 |
| BSLM Productions Pty Ltd | Australia | 100 | 100 |
| Something in the Air Pty Ltd | Australia | 100 | 100 |
| Something in the Air 2 Pty Ltd | Australia | 100 | 100 |
| Beagle Productions Pty Ltd | Australia | 100 | 100 |
| Stingers 3 Pty Ltd | Australia | 100 | 100 |
| Stingers 4 Pty Ltd | Australia | 100 | 100 |
| Stingers 5 Pty Ltd | Australia | 100 | 100 |
| Halifax 5 Pty Ltd | Australia | 100 | 100 |
| Halifax 6 Pty Ltd | Australia | 100 | 100 |
| Controlled entities of | | | |
| Beyond Entertainment Holdings Limited | | | |
| Beyond Entertainment Limited | Ireland | 100 | 100 |
| Beyond Rights Distribution Limited (formerly Beyond Films Limited Ireland) | | 100 | 100 |
| Controlled entity of | | | |
| Beyond Rights Distribution Limited | | | |
| HL Beyond Limited | Ireland | 100 | 100 |
| Controlled entities of | | | |
| Beyond Distribution Pty Limited | | | |
| Beyond TV Properties Bermuda | Bermuda | 100 | 100 |
| Controlled entities of | | | |
| Beyond Films Limited | | | |
| Beyond Film Properties Bermuda | Bermuda | 100 | 100 |
| Controlled entities of | | | |
| Beyond Home Entertainment Pty Limited | | | |
| Magna Home Entertainment Pty Ltd | Australia | 100 | 100 |
| Controlled entities of | | | |
| Magna Home Entertainment Pty Limited | | | |
| Magna Home Entertainment (NZ) Limited | New Zealand | 100 | 100 |
| Controlled entities of | | | |
| Beyond D Pty Ltd | | | |
| Beyond D (NZ) Ltd | New Zealand | 100 | 100 |
| Entity controlled jointly by | | | |
| Beyond TV Properties Bermuda and | | | |
| Beyond Films Properties Bermuda | | | |
| Beyond International Services Limited | United Kingdom | 100 | 100 |
| Controlled entities of | | | |
| BTVUS Pty Ltd | | | |
| B U.S.A. Holdings, Inc. | USA | 100 | 100 |
| Controlled entities of | | | |
| B U.S.A. Holdings, Inc | | | |
| Move It or List It, LLC | USA | 100 | 100 |
| 11:11 US, LLC | USA | 100 | 100 |
| Controlled entities of | | | |
| Clandestine Beyond Pty Ltd | | | |
| Pulse Productions S01 Pty Ltd | Australia | 100 | - |

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28. GROUP STRUCTURE (Continued)

(b) Equity accounted investees

| | | | |
|------------------------------|---------|----|----|
| 7Beyond Media Rights Limited | Ireland | 50 | 50 |
|------------------------------|---------|----|----|

(c) Associates

| | | | |
|-----------------------------|-----------|------|------|
| Melodia Limited | Ireland | 33.3 | 33.3 |
| Melodia (Australia) Pty Ltd | Australia | 33.3 | - |
| GB Media Development, Inc | USA | 10 | 10 |

29. FINANCIAL RISK MANAGEMENT

(i) Capital Risk Management

The Consolidated Entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders. The Consolidated Entity's strategy remains unchanged from 2016.

The capital structure of the group consists of cash and equity attributable to the equity holders of the parent entity, comprising issued capital, reserves and retained earnings. The Consolidated Entity operates globally, primarily through subsidiary companies established in the markets in which the group trades. The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. For further details on events of default on these financing arrangements, refer to note 8(b).

Operating cash flows are used to make the routine outflows of tax and dividends.

(ii) Market Risk

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 29 (iii)).

(iii) Foreign Currency Risk Management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

Derivative financial instruments are used by the Consolidated Entity to hedge exposure to exchange rate risk associated with foreign currency trade receivables. Mark-to-market gains on derivative financial instruments used by the economic entity are recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Foreign currency sensitivity analysis

The Consolidated Entity is mainly exposed to US dollars (USD), Euro (EUR), Great British Pound (GBP) and New Zealand Dollars (NZD).

The carrying amount of the foreign currency denominated financial assets and liabilities at the reporting date is as follows:

| | 2017 | | 2016 | |
|---------------------|------------------|-----------------------|------------------|-----------------------|
| | Financial Assets | Financial Liabilities | Financial Assets | Financial Liabilities |
| | \$000's | \$000's | \$000's | \$000's |
| Consolidated Entity | | | | |
| US Dollars | 22,482 | 236 | 11,466 | 54 |
| Euro | 2,922 | 486 | 1,979 | (51) |
| Great British Pound | 279 | (108) | 2,635 | 1 |
| New Zealand Dollars | (33) | (257) | 656 | (170) |
| Other | (177) | (15) | 186 | (4) |
| | 25,473 | 342 | 16,923 | (170) |

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29. FINANCIAL RISK MANAGEMENT (Continued)

The following table details the Consolidated Entity's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. A sensitivity rate of 10% is considered reasonable based on exchange rate fluctuations over the past 12 months. The sensitivity analysis includes only outstanding foreign currency financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates.

| | 2017 | | 2016 | |
|---------------------|--------------|--------------|--------------|--------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| | \$000's | \$000's | \$000's | \$000's |
| Consolidated Entity | | | | |
| Profit/(loss) | (2,884) | 3,525 | (1,517) | 1,854 |
| Other reserves | - | - | (1) | 1 |
| | (2,884) | 3,525 | (1,518) | 1,855 |

Forward foreign exchange contracts

It is the policy of the Consolidated Entity to enter into forward foreign exchange contracts to cover specific production foreign currency receipts. The Consolidated Entity does not enter into derivative financial instruments for speculative purposes.

The following table details the forward foreign currency contracts outstanding as at the reporting date.

| Consolidated Entity | Average Exchange Rate | Principal Amount | Average Exchange Rate | Principal Amount |
|---|-----------------------|------------------|-----------------------|------------------|
| | 2017 | 2017 | 2016 | 2016 |
| Outstanding Contracts | | \$000's | | \$000's |
| Sell USD | | | | |
| Less than 3 months | 0.7577 | 1,219 | 0.7552 | 663 |
| 3 to 6 months | 0.7631 | 3,984 | 0.7314 | 602 |
| Longer than 6 months | 0.7564 | 1,639 | 0.7297 | 201 |
| | | 6,843 | | 1,466 |
| Gains or Losses from forward exchange contracts | | | | |
| Unrealised gains | | 62 | | - |
| Unrealised losses | | - | | 4 |
| | | 62 | | 4 |

(iv) Interest Rate Risk Management

The Consolidated Entity's exposure to interest rate risk is minimal.

The Consolidated Entity's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note, per below.

The average effective interest rate on cash at bank was 2.73% (2016: 1.62%)

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A sensitivity analysis of 50 basis points is considered reasonable based on interest rate fluctuations over the past 12 months.

At reporting date, if interest rates had been 50 points higher or lower and all other variables were held constant, net interest received from cash held by the Consolidated Entity would increase or decrease by \$24,208 (2016: \$36,095).

(v) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management requirements. This framework is not formally documented. The Consolidated Entity manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. Included in note 8(b) is a listing of additional undrawn facilities that the Consolidated Entity has at its disposal to further reduce liquidity risk.

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29. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity and interest risk tables

The following tables detail the Consolidated Entity's remaining contractual maturity for it's financial liabilities.

Consolidated Entity

| | Notes | Average interest rate % | Less than 6 months \$000's | 6 months to 1 year \$000's | 1 to 5 years \$000's | 5+ years \$000's | Total Outflows \$000's | Carrying amount \$000's |
|------------------------------|-------|----------------------------------|----------------------------------|----------------------------------|----------------------------|---------------------|------------------------------|-------------------------------|
| 2017 | | | | | | | | |
| Financial liabilities | | | | | | | | |
| Trade & other payables | 15 | - | 8,324 | - | - | - | 8,324 | 8,324 |
| Financial derivatives | 12 | - | (62) | - | - | - | (62) | (62) |
| Other financial liabilities | 18 | - | 1,187 | 1,187 | 2,340 | - | 4,713 | 4,713 |
| Producer share payable | 19 | - | 4,520 | 4,520 | 2,362 | - | 11,401 | 11,401 |
| Other payables | 19 | - | 355 | - | - | - | 355 | 355 |
| Borrowings | 20 | - | - | 5,744 | - | - | 5,744 | 5,744 |
| Total financial liabilities | | | 14,322 | 11,450 | 4,702 | - | 30,475 | 30,475 |

2016 - Restated

| | | | | | | | | |
|------------------------------|----|---|--------|-------|-------|---|--------|--------|
| Financial liabilities | | | | | | | | |
| Trade & other payables | 15 | - | 5,127 | - | - | - | 5,127 | 5,127 |
| Financial derivatives | 12 | - | 4 | - | - | - | 4 | 4 |
| Other financial liabilities | 18 | - | 1,525 | 1,525 | 3,931 | - | 6,980 | 6,980 |
| Producer share payable | 19 | - | 4,410 | 4,410 | 1,854 | - | 10,672 | 10,672 |
| Other payables | 19 | - | 453 | - | - | - | 453 | 453 |
| Total financial liabilities | | | 11,518 | 5,935 | 5,785 | - | 23,236 | 23,236 |

(vi) Credit Risk Exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by credit rating agencies and, if not available, the Consolidated Entity uses publicly available financial information to assess the credit-worthiness.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing reviews are conducted of accounts receivable balances. The Consolidated Entity does not have significant credit risk exposure to any single counterparty. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on financial assets of the Consolidated Entity which are recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts.

(vii) Price Risk

The Consolidated Entity is marginally exposed to equity price risk arising from the equity investments classified as available-for-sale assets in Note 12(a). Equity investments are held for strategic rather than trading purposes. The Consolidated Entity does not actively trade in this investment.

(viii) Equity price sensitivity analysis

At the reporting date, any reasonable change in the price of the equity instrument would have been immaterial to the consolidated entity's financial position.

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29. FINANCIAL RISK MANAGEMENT (Continued)

(ix) Net Fair Value of Financial Instruments

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximates their carrying values. A discount rate of 8% (2016: 8%) has been applied to all non-current receivables & payables to determine fair value.

The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For forward exchange contracts the net fair value is taken to be the unrealised gain or loss as at the date of the report calculated by reference to the current forward rates for similar contracts.

| | Carrying Amount | | Net Fair Value | |
|---|-----------------|---------------|----------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$000's | \$000's | \$000's | \$000's |
| Financial assets | | | | |
| Cash and cash equivalents | 7,645 | 6,379 | 7,645 | 6,379 |
| Loans and receivables | 6,825 | 8,496 | 6,320 | 7,867 |
| Available for sale | - | 14 | - | 14 |
| | 14,470 | 14,890 | 13,964 | 14,260 |
| Financial liabilities, at amortised cost | | | | |
| Trade and other payables | 8,324 | 5,127 | 8,324 | 5,127 |
| Other payables | 355 | 453 | 355 | 453 |
| Financial derivatives | (62) | 4 | (62) | 4 |
| Producer share payable | 11,401 | 10,672 | 11,227 | 10,535 |
| | 20,017 | 16,256 | 19,842 | 16,119 |

30. KEY MANAGEMENT PERSONNEL COMPENSATION

Directors

The following persons were directors of Beyond International Limited during the financial year:

Chairman

Ian Ingram

Executive directors

Mikael Borglund - Managing Director

Non-executive directors

Anthony Lee

Ian Robertson

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the seven executives with the greatest authority for the strategic directions and management of the Consolidated Entity ("specified executives") during the financial year.

| Name | Position | Employer |
|------------|--|---------------------------------------|
| J Luscombe | General Manager - Productions & Executive Vice President | Beyond Television Group Pty Limited |
| T McGee | General Manager - Business Development | Beyond Television Group Pty Limited |
| M Murphy | General Manager - Distribution | Beyond Entertainment Limited |
| P Wylie | General Manager - Finance & Company Secretary | Beyond Television Group Pty Limited |
| P Tehan | General Manager - Legal & Business Affairs | Beyond Television Group Pty Limited |
| P Maddison | General Manager - Home Entertainment | Beyond Home Entertainment Pty Limited |
| J Ward | General Manager - Beyond D | Beyond D Pty Limited |

Information on key management personnel compensation is disclosed below and in the Directors' Report.

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30. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(ii) REMUNERATION

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated Entity | |
|------------------------------|---------------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Short-term employee benefits | 3,863,161 | 3,601,337 |
| Post-employment benefits | 163,521 | 158,115 |
| Long-term benefits | 121,723 | 112,440 |
| | 4,148,405 | 3,871,892 |

(iii) SHAREHOLDINGS

Number of Shares held by Directors and Specified Executives, including their personally related parties

2017

| Parent Entity Directors | Balance 1.07.16 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.17 |
|-------------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| M Borglund | 3,150,949 | - | - | - | 3,150,949 |
| I Ingram | 19,288,888 | - | - | 21,390 | 19,310,278 |
| A Lee | 5,474,997 | - | - | - | 5,474,997 |
| I Robertson | 110,000 | - | - | - | 110,000 |
| Total | 28,024,834 | - | - | 21,390 | 28,046,224 |

| Specified Executives | Balance 1.07.16 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.17 |
|----------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| J Luscombe | 273,478 | - | - | - | 273,478 |
| T McGee | 75,000 | - | - | - | 75,000 |
| P Wylie | 2,000 | - | - | - | 2,000 |
| P Tehan | 75,000 | - | - | - | 75,000 |
| P Maddison | 50,000 | - | - | - | 50,000 |
| M Murphy | - | - | - | - | - |
| J Ward | - | - | - | - | - |
| Total | 475,478 | - | - | - | 475,478 |

2016

| Parent Entity Directors | Balance 1.07.15 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.16 |
|-------------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| M Borglund | 3,150,949 | - | - | - | 3,150,949 |
| I Ingram | 17,452,571 | - | - | 1,836,317 | 19,288,888 |
| A Lee | 5,474,997 | - | - | - | 5,474,997 |
| I Robertson | 110,000 | - | - | - | 110,000 |
| Total | 26,188,517 | - | - | 1,836,317 | 28,024,834 |

| Specified Executives | Balance 1.07.15 | Received as Remuneration | Options Exercised | Net Change Other * | Balance 30.6.16 |
|----------------------|-----------------|--------------------------|-------------------|--------------------|-----------------|
| J Luscombe | 273,478 | - | - | - | 273,478 |
| T McGee | 75,000 | - | - | - | 75,000 |
| P Wylie | 2,000 | - | - | - | 2,000 |
| P Tehan | 75,000 | - | - | - | 75,000 |
| P Maddison | 50,000 | - | - | - | 50,000 |
| M Murphy | - | - | - | - | - |
| J Ward | - | - | - | - | - |
| Total | 475,478 | - | - | - | 475,478 |

* Net Change Other refers to shares purchased or sold during the financial year.

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31. RELATED PARTIES

(i) CONTROLLING ENTITIES

Beyond International Limited is the ultimate parent entity in the wholly-owned group comprising the Company and its wholly-owned controlled entities which are disclosed in note 28.

(ii) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 30 and the remuneration report in the directors' report.

Loans to key management personnel

There were no outstanding loans as at 30 June 2017 or at any point during the year (2016: nil).

Equity transactions with directors and their director-related entities

The aggregate number of equity instruments acquired or disposed of by directors of the Consolidated Entity and their director-related entities during the year were:

| | | Consolidated Entity | |
|--------------|-----------------|---------------------|-----------|
| | | 2017 | 2016 |
| | | Number | Number |
| Acquisitions | Ordinary shares | 21,390 | 1,836,317 |
| Disposals | Ordinary shares | - | - |

The aggregate number of equity instruments held by directors of the Consolidated Entity and their director-related entities at balance date were:

| | | Number | |
|------------------------------|------------------------------|------------|------------|
| Issuing entity | Class of equity instruments | | |
| Beyond International Limited | Ordinary shares | 28,046,224 | 28,024,834 |
| | Options over ordinary shares | - | - |

(iii) TRANSACTIONS WITH ENTITIES IN THE WHOLLY-OWNED GROUP

Beyond International Limited is the ultimate parent entity in the wholly-owned group comprising the Company and its wholly-owned controlled entities. The Company advanced and repaid loans, received loans, provided management services, received dividends and charged rent to other entities in the wholly-owned group during the current and previous financial years. With the exception of loans advanced free of interest to wholly-owned subsidiaries, these transactions were on commercial terms and conditions. Such loans are repayable on demand.

(iv) TRANSACTIONS WITH OTHER RELATED PARTIES

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

| | | Consolidated Entity | |
|----------------------------------|------------------------------|---------------------|--------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| Transaction type | Class of other related party | | |
| Legal services (Holding Redlich) | Associates | 9,502 | 53,636 |

The above transactions were made on commercial terms and conditions, at market rates.

J Luscombe is a director of Ryzara Pty Ltd. The company has received payments for services rendered by J Luscombe during the year. These fees are included as part of the Executive Remuneration disclosed in Note 30 and the Directors Report.

Beyond Entertainment Limited, a subsidiary of the parent company, holds 50% of the shares in 7Beyond Media Rights Limited (refer to note 16). At 30 June 2017 Beyond Entertainment Limited had an asset of \$308,000 (2016: \$136,000) owed by 7Beyond Media Rights Limited. This asset relates to funding provided for operating costs in 7Beyond Media Rights Limited and has been disclosed in Note 16. Beyond Productions Inc, another subsidiary of the parent company, had an amount of \$330,162 (2016: \$523,286) owing from 7Beyond Media Rights Limited at 30 June 2017. This amount relates to production services provided by Beyond Productions Inc on behalf of 7Beyond Media Rights Limited and has been included in Receivables (Note 9). Beyond Entertainment Limited charged 7Beyond Media Rights Limited a management fee of \$128,321 (2016: \$73,938) for the provision of accounting and administration services. The management fee has been disclosed as Other income in Note 5(a).

(v) TRANSACTIONS WITHIN THE WHOLLY OWNED GROUP

Due to the nature of the operations of the Consolidated Entity, normal operating transactions take place between subsidiaries within the group. These are all at arms length and are eliminated on consolidation.

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32. PARENT ENTITY

The following information relates to the parent entity Beyond International Limited. The information presented has been prepared using accounting policies that are

| | Parent Entity | |
|--|----------------------|----------------------|
| | 2017 | 2016 restated |
| | \$000's | \$000's |
| Statement of financial position | | |
| Current assets | 3,508 | 1,910 |
| Non-current assets | 54,075 | 55,347 |
| Total assets | 57,583 | 57,257 |
| Current liabilities | 570 | 631 |
| Non-current liabilities | 36,075 | 35,970 |
| Total liabilities | 36,645 | 36,601 |
| Contributed equity | 34,018 | 33,991 |
| Reserves | 341 | 341 |
| Accumulated losses | (13,421) | (13,676) |
| Total equity | 20,938 | 20,656 |
| Profit for the year | 4,417 | 6,643 |
| Total comprehensive income for the year | 4,417 | 6,643 |

Contingent Assets and Liabilities

The parent entity has given a bank guarantee as at 30 June 2017 of \$579,416 (2016: \$579,416) to its landlord.

Capital Commitments - Operating Lease Commitments

Total lease expenditure contracted at reporting date but not recognised in the financial statements:

| | | |
|---|--------------|--------------|
| Payable no later than one year | 718 | 695 |
| Payable later than one, not later than five years | 3,001 | 718 |
| Payable later than five years | 817 | - |
| | 4,536 | 1,413 |

33. RESTATEMENT OF COMPARATIVES

During the 2016 year the Cosolidated Entity changed its chart of accounts structure. The restructure was finalised in 2017 and this has meant that a number of items in 2016 have been re-cassified to match the new structure in 2017

| | Consolidated Entity | | |
|---|----------------------------|-------------------|----------------------|
| | 2016 reported | Adjustment | 2016 restated |
| | \$000's | \$000's | \$000's |
| Statement of Profit and Loss | | | |
| Revenue from Continuing Operations | 101,638 | (5) | 101,633 |
| Royalty expense | 21,980 | (8,075) | 13,905 |
| Production costs | 28,730 | 6 | 28,736 |
| Home entertainment costs | 10,491 | 7,619 | 18,110 |
| Administration costs | 6,007 | 537 | 6,544 |
| Employee benefit expense | 15,234 | (270) | 14,964 |
| Provisions | 1,342 | 180 | 1,522 |
| | | - | |
| Statement of Financial Position | | | |
| Trade and other receivables | 32,388 | 296 | 32,684 |
| Investments accounted for using the equity method | - | 136 | 136 |
| Trade and other payables | 4,696 | 431 | 5,127 |
| | | - | |

The reclassifications above had no impact on the reported result or the financial position of the consolidated entity

An analysis of amounts payable to licensors of titles (including titles produced by the Company) identified an error relating to revenues erroneously booked in relation to a number of titles produced in 2001 with the assistance of a financing package received from MBP.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

33. RESTATEMENT OF COMPARATIVES (Continued)

| | Consolidated Entity | | |
|--|--------------------------|-----------------------|--------------------------|
| | 2015 reported \$000's | Adjustment \$000's | 2015 restated \$000's |
| Statement of financial position at the beginning of the earliest comparative period | | | |
| EXTRACT | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Other current liabilities | 10,866 | 2,037 | 12,903 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 4,029 | (556) | 3,473 |
| Total liabilities | 25,346 | 1,481 | 26,827 |
| Net Assets | 45,490 | (1,481) | 44,009 |
| EQUITY | | | |
| Retained earnings | 11,727 | (1,481) | 10,246 |
| Total Equity | 45,490 | (1,481) | 44,009 |

| | Consolidated Entity | | |
|--|--------------------------|-----------------------|--------------------------|
| | 2016 reported \$000's | Adjustment \$000's | 2016 restated \$000's |
| Statement of financial position at the beginning of the earliest comparative period | | | |
| EXTRACT | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Other current liabilities | 10,678 | 2,037 | 12,715 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 3,050 | (556) | 2,494 |
| Total liabilities | 31,570 | 1,481 | 33,051 |
| Net Assets | 44,807 | (1,481) | 43,326 |
| EQUITY | | | |
| Retained earnings | 10,910 | (1,481) | 9,429 |
| Total equity | 44,807 | (1,481) | 43,326 |

34. SUBSEQUENT EVENTS

(i) Dividend

There was no final dividend declared as detailed in Note 24. The Group received a waiver from St George waiving the breach in covenants as at 30 June 2017.

35. COMPANY DETAILS

The registered office & principal place of business of the company is :

Beyond International Limited
109 Reserve Rd
Artarmon, NSW 2064
Australia

BEYOND INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Mikael Borglund
Managing Director

31 August 2017
Sydney

INDEPENDENT AUDITOR'S REPORT

To the members of Beyond International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beyond International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>As disclosed in note 5, there are often timing differences between when revenue is invoiced to when revenue is actually earned, resulting in accrued and deferred revenue being brought to account at each reporting date as shown in notes 9 and 19.</p> <p>As a result of the extended terms of certain production and licensing contracts, our focus was to evaluate that revenue had been recorded in the correct period and whether the accounting policies had been appropriately applied.</p> <p>Due to these factors and the overall significance of revenue to the Group, we considered this matter to be significant to our audit.</p> | <p>To determine whether revenue was appropriately accounted for and disclosed within the financial report, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the revenue recognition policies for all material sources of revenue and from our detailed testing performed below, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within the financial statements. • Performed detailed analytical procedures covering revenue, direct costs and margins achieved for all key revenue streams against our expectations and investigated any significant variances. • Selected a sample of revenue items from all significant revenue streams, agreeing revenue recognised to supporting documentation to confirm the existence and accuracy of the revenue recognised and to consider whether the transaction was recorded in the correct period. |

Valuation of other assets

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>As at 30 June 2017, the Group recognised other assets of \$21,469,000 which includes capitalised production costs of \$8,376,000, prepaid royalties of \$6,805,000, capitalised development costs of \$895,000 and distribution advances of \$4,124,000 as disclosed in note 11.</p> | <p>In assessing the carrying value of other assets, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Performed a detailed analysis of costs capitalised during the period in relation to specific titles, including assessing the inputs and estimates applied to the calculations. |

This matter was considered significant to our audit due to the judgement applied by the Group in estimating future sales for the specific titles held within this asset category, and the subsequent recoverability of, the other assets.

- Inspected a sample of licensing and production contracts to validate actual sales achieved and costs incurred to date.
- Assessed the recoverability of the capitalised costs, prepaid royalties and distribution advances through challenging management's forecast sales projections by comparing against the historical sales performance of specific titles and current licensing terms in place with third party distributors.
- Evaluated the Group's amortisation and impairment processes in respect of the other assets in accordance with the Group's amortisation policy and performed a detailed review of the amortisation calculations and rates applied.

Valuation of producer share payables

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>As at 30 June 2017, the Group recognised producer share payables of \$11,401,000 as disclosed in note 19. During the year, the Group performed an extensive review of the producer share payables which resulted in both a prior year error adjustment and the write back of a portion of the liability.</p> <p>Our focus in relation to this matter was to consider the accuracy of the adjustments reflected in the financial statements and ensure the completeness and accuracy of the remaining producer share payable balance as at the reporting date. This matter was considered significant to our audit due to the quantum of the adjustment and the judgement applied by the Group.</p> | <p>In assessing the carrying value of producer share payables we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Selected a sample of distribution sales to ensure the corresponding liability was appropriately recognised and in accordance with third party contractual agreements. • Performed detailed substantive analytical procedures by comparing the movement in producer share payables year on year to the level of licensing revenue generated for the year. • Obtained and analysed the Group's calculations for the adjustments in relation to the write back of producer share payables and the prior year error adjustment and considered the accuracy thereon with reference to our understanding of the entity and other supporting documentation provided by the Group. |

Carrying value of goodwill associated with the Beyond D cash generating unit ('CGU')

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>As disclosed in note 14, the Group held intangible assets of \$4,869,000 which included goodwill of \$1,130,000 as at 30 June 2017 in respect to the Beyond D CGU.</p> <p>This matter was considered significant to our audit given the historic performance of the CGU and the assessment of impairment for intangible assets within the relevant CGU involves critical accounting estimates and judgements specifically in relation to forecast revenue and cash flows, which are affected by future market and economic conditions.</p> | <p>In assessing the carrying value of this CGU, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the discounted cash flow model prepared by the Group and challenged the assumptions and judgements made. This included considering the reliability of the CGU's cash flow forecasts with reference to our understanding of the business and the CGU's historical performance and assessing the assumptions regarding future revenue growth and operating costs. • Performed sensitivity analysis on the key inputs applied to the discounted cash flow model to assess the impact minor changes in the assumptions would make to the carrying value of the CGU. |

Change in trading terms - Home Entertainment Segment (BHE)

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|---|
| <p>During the year, as disclosed on page 15 and 16 of the directors' report, the Group's Home Entertainment Business reached an agreement with a major customer to adopt consignment based trading terms. This significant one-off transaction resulted in the buy-back of a significant value of inventory previously sold to this customer.</p> <p>Our focus in relation to this matter was to ensure that all sales, inventories, royalties and rebates pertaining to these sales returns had been correctly reversed and appropriately reflected in the Group's financial statements. We considered this area to be significant to our audit due to the one-off nature and overall impact of this transaction on the Group's reported result for the financial year.</p> | <p>To determine whether the sales returns had been appropriately reflected in the Group's financial statements, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained and reviewed the buy-back agreement made with the major customer to ensure that the sales, inventories, royalties and rebates had been appropriately recorded in accordance with the agreement reached. This included obtaining a third party confirmation of the inventory held on consignment at the reporting date. • Selected a sample of sales returns, agreeing these returns to supporting documents to confirm the sales adjustments were correctly recorded. |

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|-------------------------|---|
| | <ul style="list-style-type: none"> Selected a sample of inventory items to ensure inventory was recorded at the lower of cost and net realisable value, by reference to recent sales. Assessed the recoverability of prepaid royalties by comparing specific titles against forecasted sales projections, expiration date analysis and making enquiries with management around the renewal of key titles. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders (including the Chairman's Report, Managing Director's Report, Corporate Governance Report and Board of Directors Report), which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

When we read the Annual Report to Shareholders (including the Chairman's Report, Managing Director's Report, Corporate Governance Report and Board of Directors Report), if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Beyond International Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership



Martin Coyle
Partner

Sydney, 31 August 2017