BERONI GROUP

2020 Annual Report

Beroni Group Limited

ACN: 613 077 526

NSX Code: BTG

OTCQX Code: BNIGF

Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

Consolidated Financial Statements

For the Year Ended 31 December 2020

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A MESSAGE FROM THE CHAIRMAN

Dear Fellow Shareholders

On behalf of the Board and Management of Beroni Group Limited ("Beroni" or the "Company"), I am pleased to present the 2020 Annual Report.

What an unusual year it was in 2020. Like many others, the COVID-19 pandemic was something that we have not expected at all. The lockdowns in many countries for the most part of 2020 have affected the global economy as a whole. In China, the lockdown lasted more than 3 months and it has affected our business in the first half of 2020. Having said that, the Chinese economy made a tremendous recovery in the second half of the year. Our business not only experienced a turnaround but we were able to develop new COVID-19 test kits for distribution in the EU, Japan and other markets.

In 2020, Beroni has completed a few milestones in terms of our strategic developments. In China, we have developed new products such as the COVID-19 test kits and the probiotics health products. We will continue to innovate and develop new products for the global markets. In Australia, we have acquired majority control (60%) of the PENAO cancer drug development company and will kick start the phase II clinical trials in Australia and China in 2021. And in Japan, we have established another wholly owned company, BERONI BIOTECH INC. to develop our own business such as viral test kits, cell therapies, stem cell cosmetics and other healthcare products.

Financial Performance

Beroni reported FY2020 revenue of $1.80 million (FY2019 $1.70 million), and underlying EBITDA of -$9.54 million (FY2019: -$7.50 million) and NPAT -$10.08 million (FY2019: -$7.90 million). Despite the pandemic lockdown, this year's sales have slightly increased by 5.7% over the previous year's sales. The turnaround in the Chinese economy and the introduction of new products such as stem cell cosmetics, coronavirus test kits and probiotic health supplements have brought in new sales in the second half of the year. We are also looking at new ways to promote and expand the sales to more consumers through the e-commerce networks in China. Going forward, we will continue to develop more new products to tap into the growing needs for quality healthcare products in the Chinese and Japanese markets.

Expenses have increased significantly mainly due to the expenses associated with the additional increase in provision for bad debts for the aged customer receivables after taking into account the post-pandemic market uncertainty in China, the significant write-off of the shares expense related to the issue of shares to Medicine Plus in 2018 as partial settlement for the acquisition, and an impairment in value of our investment in Dendrix Inc.

Research and Development

As part of its research and development plans, Beroni will embark on several initiatives in the next few years. We are preparing to start the phase II clinical trial of the cancer drug, PENAO in Australia and to initiate another clinical trial in China at the same time. We also intend to commence the clinical trials on several new innovative cell therapies. The clinical plans include gamma-delta T cell, dendritic cell vaccine, and protein R8 for treatment of various cancer types. We will also progress further in our clinical trials for the development of a medical solution for detecting and treating COVID-19 using nanobody technology which was started in April 2020.

We will always explore research programs with significant potential value and benefits and are open to collaborating with industry partners in the international markets.

The Way Forward

As mentioned in my last year's message, Beroni's vision is to become a world's leading player in the biopharmaceutical industry by developing and commercialising innovative drugs and therapies to address significant unmet medical needs worldwide and to improve overall human health. To achieve our vision, we will implement the following strategies:

- Advance key product candidates with a focus on cancer and infectious diseases;
- Identify and develop additional product candidates through clinical development in order to expand our current pipeline;
- Strengthen our position in the development of innovative drugs and therapies;
- Expand our e-commerce business by growing our portfolio of pharmaceutical and health products;
- Identify, evaluate and pursue strategic merger and acquisition opportunities in new markets like EU and the Middle East to expand our global footprint;
- Develop a culture of scientific excellence to drive future innovations.

I am confident that we will make significant strides in achieving our strategic goals and milestones. We will use the international capital markets to raise funds to support our clinical trials and to expand our existing businesses.

Once again, I would like to thank the board of directors, management team and staff for their hard work and commitment in taking the business to the next level in 2021. And I would also like to thank our shareholders for their support and interest in Beroni.

Boqing (Jacky) Zhang
Chairman
28 April 2021

Directors' Report

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the 'Group') consisting of Beroni Group Limited (referred to hereafter as the 'Company' or 'Beroni') and the entities it controlled at the end of, or from 1 January 2020 to 31 December 2020.

Directors

The following persons were directors of Beroni during the whole of the financial period and up to the date of this report, unless otherwise stated:

Jacky Boqing ZHANG (Executive Director, Chairman)

Hai HUANG (Executive Director)

Peter Yap Ting WONG (Executive Director and CFO)

Libing GUO (Non-executive Director)

Dr Zhinan YIN (Non-executive Director)

Tameyuki KAWAGUCHI (Non-executive Director)

Dr Richard BUCHTA (Non-executive Director, appointed on 1 July 2020)

Nicholas Ong (Non-executive Director, appointed 1 March 2021)

Company secretary

Nicholas Ong

Information on Directors

(a) Jacky Boqing Zhang

Mr Zhang is the founder, Chairman and CEO of Tianjin Beroni and is the Chairman of the Company. He has gained extensive marketing, operational and research experience in the biotechnology sector. He holds a bachelor's degree in Biotechnology from Tianjin University of Commerce, an MBA from Nankai University, and a MSC in International Management from the University of Sussex. He is currently studying another MBA with Tsinghua University.

Mr Zhang has previously worked in different roles including Head of Human Resources, Project Manager of R&D, CEO Asia Pacific Region, and Executive Director for companies based in China and the UK. He has a special interest in collaborating with global research institutions on bioscience and medicinal R&D, as well as technology transfer and new product development. He has been instrumental in developing Beroni since incorporation, winning various title recognition programs from the Chinese government such as "Tianjin High and New Technology Enterprise" in 2015, "National High and New Technology Enterprise" in 2016, "Tianjin Patent Pilot Unit" in 2018, and "China Market Credit Enterprise" in 2019.

Mr Zhang is a resident of the PRC.

(b) Hai Huang

Mr Huang is one of the founding directors of Tianjin Beroni. He has a business management degree from the Capital University of Economics and Business.

Mr Huang worked for a world Top 500 company for approximately 15 years and was responsible for commodity import and export and domestic trade business. Mr Huang has extensive international trade experience and more than10 years of experience in business franchising, e-commerce business planning and implementation and team building.

Mr Huang is a resident of the PRC.

(c) Libing Guo

Mr Guo is one of the founding directors of Tianjin Beroni. He has a financial management degree from Henan University.

Directors' Report (continued)

Mr Guo has approximately 20 years' experience in cold-chain logistics particularly in areas of infrastructure planning, construction, fund raising, allocation of resources and implementation. Mr Guo is also experienced in professional team building, training and management.

Mr Guo is a resident of the PRC. He is the Chairman of the Nomination & Remuneration Committee.

(d) Peter Yap Ting Wong

A Chartered Accountant by profession, Mr Wong is a 30-year veteran in the financial services industry. He has gained extensive experience across a wide spectrum of business functions such as audit, taxation, finance, operations, technology, HR, risk management, compliance and control.

Mr Wong started his career in the accounting profession in 1984 and trained with two major international accounting firms - Deloitte and Price Waterhouse Coopers. He subsequently joined several large corporations where he took up senior positions managing large portfolio of functions and people. The companies he has worked with include Citibank, Hong Leong Group (Malaysia), Hong Kong Stock Exchange and Hong Kong Telecom. Before coming to Australia, Peter was in Shanghai, China where he spent 3 years with Citibank China and another 2 years with Shanghai Pudong Development Bank, a strategic partner of Citibank. He travelled extensively within China conducting seminars and giving advice to the staff and management of the Chinese bank.

Having worked in England, Hong Kong, Malaysia, China and Australia, Mr Wong is familiar with the different financial and business practices across Asia. He is well equipped to advise clients on cross-border trade and investment. He focuses on providing financial, taxation and investment advice to Australian and Asian enterprises wanting to invest or do business in the Asia-Pacific region.

Mr Wong resides in Sydney, Australia.

(e) Dr Zhinan Yin

Dr. Zhinan Yin graduated from Hubei Medical University in 1984 and finished his Master's Degree in Immunology from Shanghai Second Medical University in 1988. Dr. Yin went to the National Cancer Centre of Italy to study and research on the immune mechanism of tumour cell metastasis and spread in 1992.Dr. Yin obtained his Doctorate degree with excellent results from the Free University of Berlin in 1997, and his academic dissertation won the Excellent Paper Award. Dr. Yin is an excellent scientist who has gained rich experience in the academic world in both US and China. Dr. Yin has over 30 years of working experience with a range of universities including Yale University, Nankai University and Jinan University. Dr. Yin's main research area is the differentiation and development of γδ T cells and their roles in the regulation of tumour immunity, hepatitis, and intestinal flora. Dr. Yin has published 103 academic articles, among which he is the first author, communication author, or co-corresponding author for 52 academic articles. Dr. Yin is a current Dean, Professor and PhD Tutor at Institute of Biomedical Transformation of Jinan University and Visiting Professor at Yale University School of Medicine.

Dr Yin is a resident of the PRC and the USA. He is a member of the Audit & Risk Committee and the Nomination & Remuneration Committee.

(f) Tameyuki Kawaguchi

Mr Tameyuki Kawaguchi is the current CEO of Medicine Plus Co., Ltd which he founded in 2005. Mr Kawaguchi is the pioneer of Medicine Plus' new retail marketing model combining online with offline sales channels for Japanese pharmaceutical products. In his 40 years of business management, he has established a unique business model and led Medicine Plus to develop nearly 80 own brand products, 7,500 offline sales channels and more than 800,000 online members. He now focuses on developing the global market for sales of Medicine Plus' "Made in Japan" comprehensive set of health products. His vast experience in Japan especially in the e-commerce sector will assist in developing Beroni's e-commerce business.

Mr Kawaguchi is a resident of Japan.

(g) Dr Richard Buchta

Dr. Richard Buchta has 30 years of experience in product development in pharmaceuticals and vaccines as well as in manufacturing and business development. He has developed and led project teams in the development of over 50 products, of which 25 have been launched in Australia and USA with 12 patents. Richard has worked at both local and multinational pharmaceutical companies including Websters, Wyeth, Astra Zeneca, Stiefel and GSK. He is also a director of Formulytica Pty Ltd, a company providing R&D CRO services in skincare and topical/injectable pharmaceuticals and biologics. Richard is a part-time Senior Lecturer for the Masters of Biotechnology course at the University of Melbourne.

Directors' Report (continued)

Richard obtained a BSc (HONS) from Monash University, a PhD from Weizmann Institute of Science and University of Trieste, and an MBA (Technology) from Deakin University. He was also a post-doctoral Fellow at the Department of Immunology, John Curtin School of Medical Research, Australian National University.

Dr Buchta is a resident of Australia. He is a member of the Audit & Risk Committee and the Nomination & Remuneration Committee.

(h) Nicholas Ong

Mr Nicholas Ong has served in the Australian Securities Exchange (ASX) for seven years as Principal Advisor, overseeing the admission of more than 100 listed companies. He has gained 16 years of experience in listing rules and corporate governance. He runs a boutique corporate advisory firm in Perth, Western Australia and is also a director or company secretary to a few listed companies in Australia.

Nicholas is a Fellow of the Governance Institute of Australia and Fellow of Institute of Chartered Secretaries and Administrators. He holds a bachelor's degree in Banking and Finance from Murdoch University and a MBA degree from the University of Western Australia. He is the Chairman of the Audit & Risk Committee.

Directors' meetings

Directors	Board		Audit committee		Nomination & Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Jacky Boqing Zhang	4	4	2	2	1	1
Hai Huang	4	4	2	2	1	1
Libing Guo	4	4	2	2	1	1
Peter Yap Ting Wong	4	4	2	2	1	1
Dr Zhinan Yin	4	4	2	2	1	1
Tameyuki Kawaguchi	4	0	2	0	1	0
Dr Richard Buchta *	2	2	1	1	0	0
Nicholas Ong **	0	0	1	0	0	0

* Appointed on 1 July 2020
** Appointed on 1 March 2021

Principal activities

The principal activities of the Company during the financial year are the sales of smoking control product (NicoBloc), air purifier, water filter, healthcare products and supplements, cell therapies, stem-cell based cosmetics and viral diagnostic kits.

Review of Operations

The table below sets out the selected key performance indicators for the full year ending 31 December 2020 ("FY2020") and 31 December 2019 ("FY2019"):

Directors' Report (continued)

	FY2020	FY2019	Change %
Sales revenue	1,793,565	1,697,102	5.7%
Cost of sales	(1,080,248)	(436,610)	147.4%
Gross profit	**713,317**	**1,260,492**	**-43.4%**
Other income	138,986	101,893	36.4%
Selling and distribution expenses	(306,325)	(461,733)	-33.7%
General and administrative expenses	(5,827,683)	(6,028,779)	-3.3%
Impairment losses on trade and other receivables	(846,463)	(2,464,978)	-65.7%
Impairment losses on prepayments	(3,618,825)	-	-
Finance expense	(60,332)	(30,295)	*
Finance income	5,596	9,820	*
Share of profit / (loss) of associate	(80,185)	(160,000)	-49.9%
Realised foreign exchange gain / (loss)	(441,446)	-	-
Fair value gain on revaluation of investment in associate	240,185	-	-
Loss before income tax	**(10,083,175)**	**(7,773,580)**	**29.7%**
Income tax	(633)	(130,591)	-99.5%
Loss from continuing operations	(10,083,808)	(7,904,171)	27.6%
Gain for the year from discontinued operations	3,267	-	**-**
Loss for the year	**(10,080,541)**	**(7,904,171)**	**27.5%**
Depreciation	484,709	257,402	*
Finance expense	60,332	30,295	*
Finance income	(5,596)	(9,820)	*
EBITDA **	**(9,543,730)**	**(7,495,703)**	**27.3%**
NPAT	**(10,080,541)**	**(7,904,171)**	**27.5%**

* Insignificant amounts
** EBITDA relates to profit before tax, depreciation and net finance costs

(A) Revenue

Sales revenue has slightly increased from $1,697,102 in 2019 to $1,793,565 in 2020 despite the outbreak of the pandemic and the lockdown in many parts of the world. China was under lockdown from February to May in 2020 and sales in China in the first half plummeted to only $315,822. As the Chinese economy opened up in the second half, sales showed a major turnaround and the Company was able to achieve sales of $1,381,280 in this period. The launch of a few products in China helped increase the overall sales. The COVID-19 test kits launched in May 2020 delivered sales of $150,700. The new stem-cell cosmetic products which were manufactured in Japan also raised the sales of cosmetics products from $152,560 in 2019 to $817,217 in 2020. A new probiotics product, Beilemei was launched in October 2020 and was met with strong demand. It sold a total of $267,672 in the last 3 months.

(B) Gross Profit

Gross profit has decreased from $1,260,492 to $713,317. This is mainly attributed to the reduced margin of the sales of the stem-cell cosmetics. These products were sold at a much lower margin compared to the other products, the average gross margin of which hovers around the 75% mark.

(C) Other Income

The increase in other income is due to the additional grants obtained from the local government to support the R&D activities in China.

Directors' Report (continued)

(D) Expenses

General and administrative expenses are mainly represented by the following expenses:

- In 2020, 2,390,000 shares valued at $1 per share were issued to directors, senior managers and scientists incurring total share-based compensation expense of $2.39 million. In 2019, 1,760,000 shares at $1.25 per share amounting to $2.2 million were issued to this group.
- Accounting, audit, legal and consulting fees increased to $884,929 in 2020 from $874,872 in 2019 due to the engagement of PCAOB auditors, US lawyers and corporate advisors to prepare the prospectus (F-1) for the application for listing on the Nasdaq Stock Market.
- A foreign exchange loss of $441,446 arising from the foreign exchange conversion of USD2.25 million of the funds raised from the issue of the convertible notes in May 2020 when subsequently transferred from Japan to Australia as the AUD appreciated against the USD in the second half of the year.

The impairment losses on prepayments is due to the $3.62 million write-off of the shares issued to Medicine Plus in 2018 as partial settlement (representing 15% of the total acquisition price) for the acquisition of this company. The cost of the shares was initially treated as a prepayment in 2018 whilst management worked on raising the funds to settle the remaining balance of $12.5 million in cash. However, due to the long delay in completing the cash settlement, management has decided to recognise the cost of the shares as an expense in 2019. In the event that the acquisition can be completed, the shares expense will be reversed accordingly.

The increase in impairment losses on trade and other receivables is mainly explained by the increase in bad debt provision of $846,463 for the aged receivables from the customers of the Chinese subsidiary due to the slowing economy and market uncertainty caused by the coronavirus epidemic in China. Despite the significant provision, management will continue to pursue recovery of these aged debts from its agents and customers.

Dividends

No dividends were paid or declared during or subsequent to the end of the financial period.

Significant Changes in State of Affairs

1. Acquisition of BERONI BIOTECH INC.

   In May 2020, the Group acquired 100% of the issued share capital of a Japanese company, BERONI BIOTECH INC. with the objective of using it to further develop its biopharmaceutical business in the Japanese market.

2. Issue of Convertible Notes

   In May 2020, the Group raised net proceeds of $3.88 million from the issue of convertible notes to two investors in Japan. The funds raised were used to support the working capital of the Group and also to invest in the PENAO company.

3. Disposal of Beroni Japan Inc.

   On 1 October 2020, the Group entered into a sale agreement to dispose of Beroni Japan Inc. for a nominal sum to an unrelated party. The disposal was done as part of the restructuring of the Group's business in Japan.

4. Acquisition of control of PENAO Pty Ltd

   On 23 December 2020, Beroni and NewSouth Innovations Pty Limited (NSI) agreed to vary the original shareholding agreement entered into in July 2019 whereby through the issuance of shares and convertible notes, Beroni and NSI owns 60% and 40% respectively of the share capital of PENAO Pty Ltd.

Directors' Report (continued)

5. Issue of new shares

   Between January and April 2020, the Company issued a total of 310,000 shares at the price of $1.00 to raise working capital for its operational needs.

   In May 2020, 50,000 shares were issued to a Japan-based consultant for assisting the Company with the capital raising from the issue of convertible notes.

   As part of the directors' and employees' compensation, 2,390,000 fully paid ordinary shares at the price of $1.00 were granted to the directors, company secretary, senior managers and scientists in June 2020.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Matters subsequent to the end of the financial year

1. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. As a result, we have temporarily closed most of our office locations, with most of our workforce working from home, and have seen a reduction in customer demand, all resulting in a negative impact on Company revenue, gross profit and operating income. While the disruption is currently expected to be temporary, there is uncertainty around the duration. We expect this matter to negatively impact our business, results of operations, and financial position more significantly through 2020 and possibly beyond, the related financial impact cannot be reasonably estimated at this time.

2. Other than the above events, there has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

   a) the Company's operations in future financial years, or
   b) the results of those operations in future financial years, or
   c) the Company's state of affairs in future financial years.

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2020.

The term "Key Management Personnel" refers to executive directors and non-executive directors named above.

Remuneration governance and determination

The Board has established the Nomination & Remuneration Committee to govern remuneration of KMPs. The Nomination & Remuneration Committee determines details of remuneration, including nature, amount and make-up of remuneration for KMPs. The Nomination & Remuneration Committee also reviews these details on an annual basis.

Directors' Report (continued)

Details for KMPs:

Name	Position	Appointment date	Resignation date	Location
Executive Directors				
Jacky Boqing Zhang	Chairman, CEO	17 June 2016	-	Tianjin, China
Hai Huang	Executive Director	3 November 2016	-	Tianjin, China
Peter Yap Ting Wong	Executive Director, CFO	30 September 2016	-	Sydney, Australia
Non-executive Directors				
Dr Zhinan Yin	Non-executive Director	1 July 2018	-	Guangzhou, China
Libing Guo	Non-executive Director	3 November 2016	-	Tianjin, China
Dr Richard Buchta	Non-executive Director	1 July 2020	-	Melbourne, Australia
Tameyuki Kawaguchi	Non-executive Director	1 June 2019	-	Osaka, Japan
Nicholas Ong	Non-executive Director	1 March 2021	-	Perth, Australia

Remunerations of KMPs:

KMP		Short Term				Post employment	Share based payments		Total	
Name	**Year**	**Base salary**	**Cash bonus**	**Non-cash benefit**	**Other**	**Super-annuation**	**Options**	**Shares**	**Total $**	**Performance-related**
Jacky Boqing Zhang [1]	2020	110,000	-	-	-	-	-	600,000	710,000	0%
	2019	40,000	-	-	-	-	-	625,000	665,000	0%
Hai Huang [1]	2020	55,000	-	-	-	-	-	150,000	205,000	0%
	2019	30,000	-	-	-	-	-	187,500	217,500	0%
Peter Yap Ting Wong [1]	2020	80,000	-	-	-	-	-	250,000	330,000	0%
	2019	40,000	-	-	-	-	-	187,500	227,500	0%
Libing Guo [1]	2020	30,000	-	-	-	-	-	130,000	160,000	0%
	2019	20,000	-	-	-	-	-	162,500	182,500	0%
Dr Zhinan Yin	2020	40,000	-	-	-	-	-	60,000	100,000	0%
	2019	40,000	-	-	-	-	-	50,000	90,000	0%
Dr Richard Buchta [2]	2020	18,000	-	-	-	-	-	-	18,000	0%
	2019	-	-	-	-	-	-	-	-	-
Tameyuki Kawaguchi	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
Nicholas Ong [3]	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-

[1] On 1 July 2020, the board of directors revised and approved the annual base salary of Jacky Boqing Zhang, Peter Yap Ting Wong, Hai Huang and Libing Guo to $180,000, $120,000, $80,000 and $40,000 respectively.

[2] Appointed on 1 July 2020 with annual base salary of $36,000.

[3] Appointed on 1 March 2021.

Directors' Report (continued)

KMPs' shareholding and interests in the Company

	Balance 01.01.2020	Acquired	Granted as remuneration	Fair value of Grant $	Disposed	Options/ Rights Vested & Exercisable at 31.12.2020	Balance 31.12.2020
Jacky Boqing Zhang [1]	24,428,132[1]	-	600,000	600,000	-	-	25,028,132
Hai Huang	1,891,766[1]	-	150,000	150,000	-	-	2,041,766
Peter Yap Ting Wong	270,000	-	250,000	250,000	-	-	520,000
Libing Guo	4,122,238[1]		130,000	130,000			4,252,238
Dr Zhinan Yin	40,000	-	60,000	60,000	-	-	100,000
Dr Richard Buchta	-	-	-	-	-	-	-
Tameyuki Kawaguchi [2]	2,067,900 [2]	-	-	-	-	-	2,067,900
Nicholas Ong [3]	170,000 [3]	-	100,000 [3]	100,000	-	-	270,000

[1] Jacky Boqing Zhang, Libing Guo and Hai Huang were shareholders of Beroni Technology Limited (incorporated in Seychelles) holding 64.4%, 11.04% and 4.6% respectively. Beroni Technology Limited was the initial holding company of Beroni Group Limited holding 35,255,782 of the shares of Beroni Group. In February 2020, the shares held by Beroni Technology Limited were transferred to its shareholders according to the proportion of shares they held in Beroni Technology Limited. Also, Mygoldenman Technology which initially holds 723,408 shares and is 100% owned by Boqing Zhang transferred all the shares it held in Beroni Group to Jacky Boqing Zhang.

[2] Tameyuki Kawaguchi, as the largest shareholder of Medicine Plus, was issued 2,067,900 shares in October 2018 as partial settlement for the acquisition of his company.

[3] Nicholas Ong was allocated shares in his role as the company secretary before his appointment as a non-executive director in March 2021.

Indemnification and insurance of directors and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company residing in Australia, against a liability incurred as such a Director or Officer to the extent permitted by the *Corporations Act 2001.* The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified any Director residing outside Australia or Auditor of the Company against a liability incurred as such a Director or Auditor.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases, the nearest 1/10th of a dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the Corporations Act 2001.

On behalf of the directors

Boqing Zhang
Chief Executive Officer
28 April 2021

Other Shareholder Information

Distribution of shareholders

As at 31 December 2020, the Company had 228 shareholders and a total of 75,722,348 fully paid ordinary shares on issue. As at 31 December 2020, the distribution of shareholders was as follows:

Size of holding	Number of shareholders	Number of ordinary shares	% of issued capital
1 - 1,000	4	2,672	0.00%
1,001 – 5,000	19	65,669	0.09%
5,001 – 10,000	27	181,411	0.24%
10,001 – 100,000	123	3,951,636	5.22%
100,001 and over	55	71,520,960	94.45%
Total	228	75,722,348	100.00%

Substantial Shareholders

Substantial shareholders as at 31 December 2020 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Jacky Boqing Zhang	25,028,132	33.05%
Kai, Shen	12,523,620	16.54%
Libing, Guo	4,252,238	5.62%

Voting Rights

Fully paid ordinary shares in the Company carry voting rights of one vote per share. Unlisted options and unlisted performance rights do not carry voting rights.

Restricted Securities

There are no restricted securities.

Other Shareholder Information (continued)

Top 20 Shareholders (by number of ordinary shares)

Rank	Name	Units	% of Units
1	Jacky Boqing Zhang	25,028,132	33.05%
2	Mr Kai, Shen	12,523,620	16.54%
3	Libing, Guo	4,252,238	5.62%
4	Gang, Wang	2,820,462	3.72%
5	Shuang, Ma	2,594,826	3.43%
6	Tameyuki Kawaguchi	2,067,900	2.73%
7	Hai, Huang	2,041,766	2.70%
8	Jianxia, Gao	1,853,392	2.45%
9	Zhihe, Hu	1,621,766	2.14%
10	Bo, Ma	1,485,286	1.96%
11	Eagle IG Hong Kong Limited	1,259,506	1.66%
12	Xiaokun, Wang	1,117,453	1.48%
13	Xiangxin, Li	1,057,065	1.40%
14	Jianguo, Wen	1,014,606	1.34%
15	Hanlin, Zhang	777,375	1.03%
16	J P Morgan Nominees Australia Pty Limited	624,106	0.82%
17	Jianguo, Wen	584,549	0.77%
18	Binyan, Yu	571,599	0.75%
19	Yan, Sun	571,599	0.75%
20	Fengkui, Ma	550,872	0.73%
	Top 20 holders of ordinary fully paid shares	64,418,118	85.07%
	Remaining holders balance	11,304,230	14.93%
	Total	75,722,348	100.00%

Corporate Directory

Registered Office

Beroni Group Limited

Suite 401
447 Kent Street
Sydney NSW 2000
Australia
Tel: +61 2 8051 3055

Beroni Group Limited is listed on the National Stock Exchange and is traded on the OTCQX in the USA.
(NSX Code: BTG; OTCQX: BNIGF)

Email: enquiry@beronigroup.com
Website: www.beronigroup.com

Beroni Biotechnology Co., Ltd

Level 10, Building 11
Zhong Bei High Technology Industrial Park
Xiqing District, Tianjin
China

BERONI BIOTECH

Level 32, Shinjuku Nomura Building
1-26-2 Nishi Shinjuku-ku
Tokyo 163-0532
Japan

Beroni USA

2083 Center Avenue #3A
Fort Lee
New Jersey 07024
USA

Auditor

UHY Haines Norton
Level 11, 1 York Street
Sydney NSW 2000
Australia

Share Registry

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172 St Georges Terrace
Perth WA 6000, Australia

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Directors

Jacky Boqing Zhang
Tameyuki Kawaguchi
Hai Huang
Libing Guo
Peter Yap Ting Wong
Dr Zhinan Yin
Dr Richard Buchta
Nicholas Ong

Company Secretary

Nicholas Ong

UHY Haines Norton
Chartered Accountants

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Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Beroni Group Limited

As auditor for the audit of Beroni Group Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Beroni Group Limited and the entities it controlled during the year.

M Nicholaeff

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Date: 29 April 2021

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2020 AUD	Consolidated Year Ended 31.12.2019 AUD
Sales revenue	6	1,793,565	1,697,102
Cost of sales		(1,080,248)	(436,610)
Gross profit		713,317	1,260,492
Other income			
Government subsidy	7	129,566	57,956
Other revenue		9,420	43,937
Selling and distribution expenses	8	(306,325)	(461,733)
General and administration expenses	8	(5,827,683)	(6,028,779)
Impairment losses on trade and other receivables	8, 11	(846,463)	(2,464,978)
Impairment losses on prepayments	8	(3,618,825)	-
Finance expense		(60,332)	(30,295)
Finance income		5,596	9,820
Share of loss of associate	18	(80,185)	(160,000)
Realised foreign exchange loss		(441,446)	-
Fair value gain on revaluation of investment in associate	18	240,185	-
Loss before income tax		**(10,083,175)**	**(7,773,580)**
Income tax expense	20	(633)	(130,591)
Net Loss for the year from continuing operations		**(10,083,808)**	**(7,904,171)**
Discontinued operations			
Gain for the year from discontinued operations	9	3,267	-
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain / (loss)		138,008	(28,987)
Items that will not be reclassified subsequently to profit or loss			
Fair value impairment in investment in Dendrix Inc	19, 29	(642,205)	(486,303)
Total comprehensive loss for the year		**(10,584,738)**	**(8,419,461)**
Loss for the year is attributable to:			
Owners of Beroni Group Limited		(9,980,179)	(7,765,629)
Non-controlling interest		(100,362)	(138,542)
Total loss for the year		**(10,080,541)**	**(7,904,171)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited		(10,484,376)	(8,275,990)
Non-controlling interest		(100,362)	(143,471)
Total comprehensive loss for the year		**(10,584,738)**	**(8,419,461)**
Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic loss per share	22	(13.39)	(10.88)
Diluted loss per share	22	(13.21)	(10.88)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 31.12.2020 AUD	Consolidated As at 31.12.2019 AUD
Current Assets			
Cash and cash equivalents	10	4,768,763	3,010,530
Trade receivables	11	911,418	1,857,144
Other receivables	11	260,128	506,837
Prepayments and other current assets	12	131,329	3,736,652
Inventories	13	112,714	827,539
Total current assets		6,184,352	9,938,702
Non-Current Assets			
Goodwill	14	1,993,226	-
Other intangible assets	15	1,349,204	1,413,275
Property, plant and equipment	16	243,721	358,356
Right-of-use assets	17	452,417	767,162
Current tax assets		-	69,759
Investment in associate	18	-	240,000
Investment in other entities	19	1,303,007	1,945,212
Other assets		47,047	93,823
Total non-current assets		5,388,622	4,887,587
Total Assets		**11,572,974**	**14,826,289**
Current Liabilities			
Trade and other payables	21	18,902	153,797
Borrowings from related parties	21	327,436	318,633
Lease liabilities	17	209,652	284,809
Other current tax liabilities		35,089	-
Other liabilities	21	633,327	386,625
Total current liabilities		1,224,406	1,143,864
Non-Current Liabilities			
Lease liabilities	17	281,983	507,254
Other liabilities		6,741	48,563
Total non-current liabilities		288,724	555,817
Total Liabilities		**1,513,130**	**1,699,681**
Net Assets		**10,059,844**	**13,126,608**
Equity			
Issued capital	27	26,973,167	24,223,167
Convertible notes - equity	28	3,879,258	-
Reserves	29	(723,826)	(219,630)
Retained earnings		(20,758,755)	(10,686,756)
Equity attributable to equity holders of the parent entity		**9,369,844**	**13,316,871**
Non-controlling interests	32	690,000	(190,173)
Total Equity		**10,059,844**	**13,126,608**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent							
	Issued Capital	Surplus reserve	Revaluation reserve	Convertible notes - equity	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Consolidated 2020								
Balance at 1 January 2020	24,223,167	16,885	(486,303)	-	249,789	(10,686,755)	(190,175)	13,126,608
Effect of changes in accounting policy	-	-	-	-	-	(91,821)	-	(91,821)
Restated balance at 1 January 2020	24,223,167	16,885	(486,303)	-	249,789	(10,778,576)	(190,175)	13,034,787
Comprehensive income/(loss) for the year:								
Net loss for the period	-	-	-	-	-	(9,980,179)	(100,362)	(10,080,541)
Other comprehensive gain / (loss) for the year	-	-	(642,205)	-	138,008	-	-	(504,197)
Total comprehensive loss for the year	**-**	**-**	**(642,205)**	**-**	**138,008**	**(9,980,179)**	**(100,362)**	**(10,584,738)**
Capital contribution from share placements	310,000	-	-	-	-	-	-	310,000
Ordinary shares issued to directors and employees	2,390,000	-	-	-	-	-	-	2,390,000
Ordinary shares issued to financial advisor	50,000	-	-	-	-	-	-	50,000
Convertible bond – option premium	-	-	-	3,879,258	-	-	-	3,879,258
Acquisition of subsidiary	-	-	-	-	-	-	690,000	690,000
Elimination of disposal of subsidiary	-	-	-	-	-	-	290,537	290,537
Balance at 31 December 2020	**26,973,167**	**16,885**	**(1,128,508)**	**3,879,258**	**387,797**	**(20,758,755)**	**690,000**	**10,059,844**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent						
	Issued Capital	**Surplus reserve**	**Revaluation reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Non-controlling interests**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Consolidated 2019							
Balance at 1 January 2019	20,913,167	16,885	-	273,846	(2,912,717)	(46,529)	18,244,652
Effect of changes in accounting policy	-	-	-	-	(8,409)	(174)	(8,583)
Restated balance at 1 January 2019	20,913,167	16,885	-	273,846	(2,921,126)	(46,704)	18,236,069
Comprehensive income/(loss) for the year:							
Net loss for the year	-	-	-	-	(7,765,629)	(138,542)	(7,904,171)
Other comprehensive loss for the year	-	-	(486,303)	(24,057)	-	(4,930)	(515,290)
Total comprehensive loss for the year	-	-	(486,303)	(24,057)	(7,765,629)	(143,472)	(8,419,461)
Transactions with owners in their capacity as owners, net of transaction cost	-	-	-	-	-	-	-
Capital contribution from share placements	760,000	-	-	-	-	-	760,000
Ordinary shares issued to directors and senior managers	2,200,000	-	-	-	-	-	2,200,000
Ordinary shares issued to US consultant and investment bank	350,000	-	-	-	-	-	350,000
Balance at 31 December 2019	**24,223,167**	**16,885**	**(486,303)**	**249,789**	**(10,686,755)**	**(190,173)**	**13,126,608**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated Year Ended 31.12.2020 AUD	Consolidated Year Ended 31.12.2019 AUD
Cash flows from operating activities:			
Receipts from customers		2,486,493	2,257,868
Payments to suppliers and employees		(3,673,957)	(5,608,804)
Interest paid		(53,013)	(23,807)
Income tax paid		(107,385)	(150,023)
Net cash used in operating activities	35	(1,347,862)	(3,524,046)
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company, net of transaction costs		290,000	780,466
Net proceeds from issue of convertible notes		3,879,258	-
(Repayment of) / gross proceeds from borrowings		(42,734)	129,373
Principal component of lease payments		(236,884)	(130,479)
Net cash generated from financing activities		3,889,640	779,360
Cash flows from investing activities:			
Purchase of property, plant and equipment		(6,182)	(9,354)
Payments for intangible assets		(60,112)	-
Investment in other entities		(648,883)	-
Payment for other investing activities		(5,734)	7,329
Net cash generated used in investing activities		(720,911)	(2,025)
Net increase / (decrease) in cash and cash equivalents		1,820,867	(2,746,711)
Cash and cash equivalents at beginning of the period		3,010,530	5,747,749
Exchange (loss) / gain on cash and cash equivalents		(62,634)	9,492
Cash and cash equivalents at end of the period	10	4,768,763	3,010,530

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

Note 1. Corporate information

The financial statements cover Beroni Group Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Beroni Group Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the year ended 31 December 2020. The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest dollar unless otherwise stated.

The Company is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. The Company's shares are publicly traded on the National Stock Exchange of Australia and on the OTC markets in the USA.

The Company's registered office and the Group's principal place of business are:

Registered office	Principal place of business
Suite 401, level 4	Level 10, Building 11
447 Kent Street	Zhong Bei High Technology Industrial Park, Xiqing District
Sydney NSW 2000	Tianjin 300380
Australia	People's Republic of China

The principal activities of the Group during the financial year are the sales of smoking control products (NicoBloc), air purifiers, water filters, cosmetics, healthcare products, stem-cell therapies and viral diagnostic kits. It currently has four core businesses – cell therapies, developing new anti-cancer drugs, e-commerce platform for pharmaceutical and healthcare products, and detection & diagnosis of infectious diseases.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 April 2021.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This general purpose financial report has been prepared on a historical cost basis, except for a few items where the basis used will be explicitly stated in the relevant note.

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Beroni Group Limited and its subsidiaries as at 31 December 2020 and 2019.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where shareholding is less than one-half of the voting rights, the Group is considered to have control over the entity when it can exercise power over more than one-half of its voting rights by virtue of an agreement with other shareholders.

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 Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group 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 Group 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.

2.1 Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

2.2 Foreign currency translation

The functional currency of Beroni Group Limited is Australian dollars. The functional currency of the Company's subsidiary, Beroni Hongkong Limited, is Hong Kong dollars and its subsidiary, Tianjin Beroni Biotechnology Co., Limited in mainland China is Chinese Yuan (Renminbi). The functional currency of the Company's subsidiaries in Japan - Beroni Japan Inc. (subsidiary until 1 October 2020) and BERONI BIOTECH INC. - is Japanese Yen whilst that of Beroni USA Corporation is United States dollar. The presentation currency is Australian dollars (AUD).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

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

At the end of the reporting period, the assets and liabilities of the Group are translated into the presentation currency at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the period. All resulting exchange difference is recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

2.3 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Impairment of investments

The Group will determine whether it is necessary to recognise any impairment loss with respect to its investments. When necessary, the entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss, including goodwill that forms part of the carrying amount of the investment, is recognised through profit or loss or other comprehensive income. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

2.3 Critical accounting judgements and estimates (continued)

(b) Fair value measurement

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determines the appropriate valuation techniques and inputs for fair value measurements. The Group has established a fair value hierarchy that categorises into three levels of inputs to valuation techniques used to measure fair value. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group considers other observable data (Level 2 inputs) for the asset or liability, either directly or indirectly. If observable data are not available, other valuation techniques (Level 3 inputs) such as an income approach, market approach or net assets value approach are considered.

(c) Estimated provision for credit loss of receivables

The Group recognises a loss allowance for expected credit losses (ECL) on trade and other receivables. The Group always recognises lifetime ECL for receivables. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset.

(d) Depreciation and amortisation

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Company reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

The Company makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

(e) Provision for decline in the value of inventories

The Company measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

(f) Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

(g) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(h) Recovery of deferred tax assets

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

2.3 Critical accounting judgements and estimates (continued)

(i) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(j) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

2.4 New, revised or amended Accounting Standards and Interpretations adopted

<u>New, revised or amended Accounting Standards and Interpretations adopted</u>

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

Note 3. Significant accounting policies

3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 12 and AASB 119 respectively:
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets that are classified as held for sale in accordance with AASB 5 are measured in accordance with that standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amountd of the identifiable assets and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.1 Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

3.2 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment as least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The company currently generates revenue only from sale of goods and services in China and Japan.

The Company recognises revenue based on the following five steps:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Sales of goods and services

In China, the Company sells smoking control products, air purifiers, health supplements, and cosmetics both to the wholesale market and directly to customers through the e-commerce channels.

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods on the e-commerce outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

In Japan, the Company sells cosmetic products and cell therapies. Revenue from the sale of cosmetic products is recognised when the goods are delivered and titles have passed at the point of delivery. Revenue on sales of cell therapies is recognised upon the stage of completion of the services.

3.3 Revenue recognition (continued)

Sales of goods on consignment

Revenue from sale of goods on consignment is recognised upon the sale of the goods by the consignee. Control of the goods remains with the Company until such time as the goods are sold by the consignee.

Discounts, promotional and other rebates

The amount of revenue recognised for a transaction is net of any discounts, promotional and other rebates.

Warranties

Sales-related warranties associated with electrical goods are provided by the product manufacturers and the Company does not bear the related warranty costs.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

3.4 Government subsidy

Government subsidy is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidy is recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government subsidy is applied for by the Group to Chinese local government authorities based on various entitlements the Group is eligible to. Applications for various government subsidies are raised, checked, and approved on an annual basis.

Government subsidy that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3.5 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Term deposits with maturity over three months include bank deposits with fixed terms over three months' period. For the purpose of the Consolidated Statement of Cash Flows, term deposits with maturity over three months are shown as cash flows from investing activities.

3.6 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group recognises a loss allowance for expected credit losses (ECL) on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

3.6 Trade and other receivables (continued)

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. The aging profile of trade and other receivables is disclosed in Note 11.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, and appropriate proportion of variable and fixed overhead expenditure.

3.8 Property, plant and equipment

Land and buildings are leased for use in the production or supply of goods or services, or for administrative purposes. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets are depreciated over their useful lives as follows:

Machinery	10 years
Motor vehicles	4 years
Office Equipment	3 years
Other Equipment	5 years

3.9 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3.10 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

3.10 Lease liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

3.11 Intangibles

Patents

Patents acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment. The useful life of patents generally ranges from 5 to 20 years.

Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset.

Research and Development

The Group conducts research and development activities to support future development of products, to enhance our existing products and to develop new therapies. All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful.

Research or development expenditure that relates to a development project acquired separately or in a business combination shall be recognised as an intangible asset when it is probable that the project will be a success considering its commercial and technical feasibility, the Company is able to use or sell the asset, the Company has sufficient resources, and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefits.

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life of the asset. Significant software intangible assets are amortised over a 3 to 10-year useful life. The amortisation period and method is reviewed at each financial year end at a minimum. Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is any indication that these assets have suffered an impairment loss, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Intangible assets that have an indefinite useful life (such as goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

3.12 Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5.

3.12 Investment in associate (continued)

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 36 to the extent that the recoverable amount of the investment subsequently increases.

3.13 Investment in equity instruments

Investments in equity instruments and joint ventures that are not held for trading are designated as at FVTOCI (Fair Value Through Other Comprehensive Income) in accordance with AASB 9 and are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments' revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included as investment income in the income statement.

3.14 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3.14 Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.15 Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

3.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the business prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

3.18 Employee benefits

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

3.19 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

3.20 Financial instruments

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

Financial assets in the scope of AASB 9 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale investments, as appropriate.

The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets of the Group are classified in two categories as following:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at fair value through profit or loss. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Recognition of expected credit losses

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for loans and receivables. The expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

3.21 Fair value

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.22 Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.23 Convertible notes

The component parts of the convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in carrying amount of the liability component and amortised over the lives of the convertible notes using the effective interest method.

3.24 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Beroni Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3.25 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Note 4. Group restructure

Beroni Group Ltd was incorporated on 17 June 2016, owning 100% shares of Beroni HongKong Limited ("Beroni Hong Kong") which owns 100% shares of Tianjin Beroni Biotechnology Co., Limited ("Tianjin Beroni"), the company of principal business.

On 21 May 2014, Tianjin Beroni was incorporated as a wholly owned subsidiary of Beijing Benehealth Biotechnology Co. Ltd in Tianjin, the People's Republic of China (the "PRC"). On 8 September 2016, Tianjin Beroni placed 0.99% shares to Eagle IG Limited for a cash consideration of RMB 100,000.

On 9 September 2016, pursuant to a share sale agreement, Beijing Benehealth Biotechnology Co. Ltd and Eagle IG Limited sold the entire share capital of Tianjin Beroni to Beroni Hong Kong for a consideration of RMB 10,010,000. On 24 October 2016, Mr Boqing Zhang, the sole shareholder of Beroni Hong Kong transferred all of his shares in Beroni HongKong to Beroni Group Limited for HKD10,000, which completed the final step of the restructuring process.

When combined with the transactions above, Beroni Hong Kong become the intermediate holding company for the Group. Through this transaction, effective control of Tianjin Beroni passed to the shareholders of the Company. The transaction is not within the scope of *AASB 3 Business Combinations* and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of Tianjin Beroni with no change in underlying control.

Note 4. Group restructure (continued)

In April 2018, the Company acquired 51% of the share capital of Beroni Japan Inc., a company set up for the purpose of developing the Group's business in Japan. The Company has paid a consideration of JPY2.55 million (A$31,114) for this investment. Beroni Japan was subsequently disposed of on 1 October 2020.

In November 2018, Beroni established a new 100%-owned company in the USA, Beroni USA Corporation to develop the business of detecting and treatment of infectious diseases.

In May 2020, Beroni acquired 100% of the share capital of a new company in Japan, BERONI BIOTECH INC. for the purpose of developing the diagnostic test kit business in Japan.

In December 2020, Beroni acquired control of PENAO Pty Ltd when its shareholding was increased from 40% to 60% after a shareholders' restructuring of the Australian company.

Note 5. Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of the nature of the business activities. Operating segments are therefore determined on the same basis.

The following operating segments have been noted:

- Nicobloc
- Fogibloc air purifier
- Olansi water filter
- Health supplements
- Cosmetic products
- Viral diagnostic kits

Segment information

Segment information provided to the board of directors for the year ended 31 December is as follows:

	Segment Revenue		Segment Gross Profit	
Segment	**2020 AUD**	**2019 AUD**	**2020 AUD**	**2019 AUD**
Nicobloc	476,055	1,539,188	330,402	1,197,806
Fogibloc air purifier	-	488	-	232
Olansi water filter	2,119	-	1,770	-
Health supplements	287,747	-	239,546	-
Cosmetic products	817,217	152,560	(6,153)	61,236
Viral diagnostic kits	150,700	-	116,628	-
All other	59,727	4,866	31,124	1,218
Total for all segments	1,793,565	1,697,102	713,317	1,260,492
Other income			138,986	101,893
Unallocated selling and distribution expenses			(306,325)	(461,733)
Central general and administrative expenses			(10,574,417)	(8,653,757)
Net finance costs			(54,736)	(20,475)
Loss before income tax			(10,083,175)	(7,773,580)

Note 5. Segment reporting (continued)

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: $739,919).

The executive management committee monitors segment performance based on gross profit. Segment gross profit represents the gross profit earned by each segment without allocation of selling and distribution expenses, central general and administration expenses, other income as well as net finance costs.

Geographical information

Segment revenue based on the geographical location of customers is as below:

	Sales Revenue by Geographical Market	
	2020	**2019**
	AUD	**AUD**
China	1,785,929	1,687,522
Japan*	7,636	9,580
	1,793,565	1,697,102

* Japan sales in 2020 were related to viral diagnostic kits while those in 2019 were related to stem-cell cosmetic products.

Major customers

Major customers accounting for more than 10% of the sales of the Group are as follows:

	2020	**2019**
	AUD	**AUD**
China Business Belloni (Tianjin) Technology Co., Ltd	906,806	919,487
Tianjin Zhongke Beicheng Technology Co., Ltd	22,150	234,001
Henan Zhongzheng Television Media Co., Ltd	-	182,452
Hongyan Zhang	-	175,156
Guangzhou TRM Cosmetics	539,091	-
	1,468,047	1,511,096

Note 6. Revenue

	Consolidated	**Consolidated**
	2020	**2019**
	AUD	**AUD**
Sales	1,793,565	1,697,102

Note 7. Government subsidy

	Consolidated	**Consolidated**
	2020	**2019**
	AUD	**AUD**
Government subsidy	129,566	57,956

Note 8. Expenses

Loss before income tax is derived at after taking the following significant expense items into account:

	Consolidated 2020 AUD	Consolidated 2019 AUD
Wages and salaries	648,930	739,439
Rent expenses	-	155,740
R&D expenses	405,080	285,545
Legal fees	49,751	256,027
Listing expenses	404,229	674,892
Depreciation and amortisation	484,709	257,402
Share-based payment compensation [1]	2,390,000	2,200,000
Expected credit losses on trade and other receivables [2]	846,463	2,464,978
Expected credit losses on prepayments [3]	3,618,825	-
All other expenses	2,236,018	1,921,467
	10,599,296	8,955,490

[1] Share-based payment compensation relates to the 2,390,000 shares granted to the directors and employees in June 2020.
[2] See Note 11.
[3] See Note 12.

Note 9. Discontinued operations

On 1 October 2020, the Group entered into a sale agreement to dispose of Beroni Japan Inc., which has carried out all of the Group's business operations in Japan. As Beroni Japan Inc. was 51% owned by the Group, management decided to use a wholly-owned subsidiary, BERONI BIOTECH INC to exercise full control of the business operations in Japan. The disposal of Beroni Japan Inc. was completed on 1 October 2020, on which date control of the company passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 30.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	Period ended 1 October 2020 AUD	Year ended 31 December 2019 AUD
Revenue	-	749,578
Expenses	(200,713)	(1,032,315)
Loss before tax	**(200,713)**	**(282,736)**
Attributable tax expense	-	-
Net loss	**(200,713)**	**(282,736)**
Gain on disposal of discontinued operations [1]	302,396	-
Share capital investment in Beroni Japan	(31,113)	-
Amount receivable from Beroni Japan	(268,016)	-
Net gain on disposal of discontinued operations	**3,267**	-
Attributable tax expense	-	-
Net gain on disposal of discontinued operations (attributable to owners of the Group)	**3,267**	-

[1] See Note 30

Note 10. Cash and cash equivalents

	Consolidated 2020 AUD	Consolidated 2019 AUD
Cash on hand	834	6,156
Cash at bank	4,767,929	3,004,374
Total cash and cash equivalents	4,768,763	3,010,530

Note 11. Trade and other receivables

	Consolidated 2020 AUD	Consolidated 2019 AUD
Amounts due from customers	3,127,827	3,316,785
Less: Provision for expected credit losses [1]	(2,216,409)	(1,459,641)
Trade receivables	911,418	1,857,144
Receivable from Youtokukai Fund [2]	1,224,868	1,224,868
Less: Provision for expected credit loss	(1,224,868)	(1,224,868)
Net receivable from Youtokukai Fund	-	-
Others	557,335	757,911
Less: Provision for expected credit loss	(297,207)	(251,074)
Other receivables	260,128	506,837

[1] Being increase in expected credit losses based on trade receivables aging at 31 December 2020.

[2] On 18 June 2018, the Company invested JPY100 million (A$1.22 million) into a capital fund, the Youtokukai Fund which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan specialising in regenerative medicine technology such as gene therapy, immune cell therapy, and stem cell therapy. The Medical Clinic is wholly owned by Youtokukai. For this investment, Beroni Group was to receive a monthly dividend from January 2019 onwards based on the operating surplus of the business and its share of the total investment in this joint venture. The investment can be fully redeemed after 30 June 2021. However, due to the investment terms not being met by Youtokukai Fund, Beroni has decided to withdraw from this investment and is now seeking a refund for the full payment. The investment has been reclassified as a receivable from Youtokukai Fund.

In January 2020, Beroni has obtained a court injunction against Youtokukai to repay JPY130 million over 14 months. The repayment is guaranteed by a medical doctor of Youtokukai. Despite the court injunction, Youtokukai has missed the first 2 payments in January and February 2020. In view of the uncertainty of recovery and market condition in Japan, Beroni has decided to make a 100% credit loss provision against the debt. Any subsequent repayments received from Youtokukai will be taken as a reversal of expected credit loss provision.

Movements on the provision for the impairment of trade and other receivables are as follows:

	Consolidated 2020 AUD	Consolidated 2019 AUD
At 1 January	2,935,583	491,943
Additions to provision for expected credit losses	846,463	2,464,978
Exchange differences	(43,562)	(21,338)
At 31 December	3,738,484	2,935,583

Note 11. Trade and other receivables (continued)

	Not past due	Less than 6 months	6-12 months	Between 1 and 2 years	Total
	AUD	AUD	AUD	AUD	AUD
Expected credit loss %	75.53%	-	-	97.25%	76.14%
Gross carrying amount	1,063,030	565,104	263,241	3,018,655	4,910,030
Expected credit loss provision	802,901	-	-	2,935,583	3,738,484

Note 12. Prepayments and other current assets

	Consolidated 2020 AUD	Consolidated 2019 AUD
Shares issued to Medicine Plus [1]	3,618,825	3,618,825
Provision for expected credit loss	(3,618,825)	-
	-	3,618,825
Other prepayments and current assets	131,329	117,827
	131,329	3,736,652

[1] On 8 October 2018, Beroni issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of $14.3 million agreed in June 2018 was increased by 10% to approximately $15.8 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date. However, due to the long delay in the settlement, management has decided to recognise the cost of the shares as an expense in the income statement. In the event that the acquisition can be completed, the shares expense will be reversed accordingly.

Note 13. Inventories

	Consolidated 2020 AUD	Consolidated 2019 AUD
Raw materials	4,711	2,003
Finished goods	108,003	825,536
Total Inventories	112,714	827,539

Note 14. Goodwill

	Consolidated 2020 AUD	Consolidated 2019 AUD
Cost		
At 1 January	-	-
Recognised on acquisition of a subsidiary (see Note 31)	1,993,226	-
At 31 December	1,993,226	-
Accumulated impairment losses		
At 1 January	-	-
Impairment losses for the year	-	-
At 31 December	-	-
Carrying amount		
At 31 December	1,993,226	-

Note 14. Goodwill (continued)

The goodwill of $1,993,226 arising from the Penao acquisition is based on its value in use, estimated using discounted cash flows. The key model inputs used in determining the fair value are 7% discount rate, cancer patients' growth rate of 2.29%, a global market share of 1%, an annual 5% increase in selling price, and probability of success of 8.1%. Management believes that the effect of a reasonably possible change to these inputs would not lead to a material impairment of goodwill.

Note 15. Other intangible assets

	Consolidated 2020 AUD	Consolidated 2019 AUD
Capitalised development cost [1]	1,212,972	1,277,518
Patents [2]	135,893	135,408
Software	339	349
	1,349,204	1,413,275

[1] The Company has entered into an agreement with the Columbia University, New York to provide US$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus, under the direction of Professor Walter Ian Lipkin. In return for the research funding support, Columbia University grants the Company an exclusive option to obtain an exclusive, compensation bearing license in the territory of China to the ArboViroPlex rRT-PCR Test patents and inventions and also a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of this research. In April 2019, the Company signed a 20-year exclusive license agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis. The capitalized development cost will be amortised over the 20-year life of the license.

[2] As requested by the Company, Columbia University has secured the ArboViroPlex rRT-PCR Test patent in six countries namely USA, India, Saudi Arabia, China, Australia and Japan. The patents were paid for by Beroni and the carrying amount of the patents which represents the registration costs of the patent in these countries will be amortised over the 20-year life of the license.

Note 16. Property, plant and equipment

2020	Land & Building AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	5,383	14,963	275,030	16,588	46,392	358,356
Depreciation Adjustment	-	-	-	-	-	-
Additions	-	-	-	15,276	2,041	17,317
Disposals	(5,160)	-	-	(4,073)	-	(9,233)
Depreciation charge	-	(7,949)	(92,550)	(8,172)	(3,789)	(112,460)
Foreign exchange translation	(223)	(424)	(7,776)	(524)	(1,312)	(10,259)
Closing net book value	-	6,590	174,704	19,095	43,332	243,721

2019	Land & Building AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	5,261	23,767	99,308	23,561	58,304	210,201
Depreciation Adjustment	-	-	-	-	-	-
Additions	-	-	256,224	4,209	-	260,433
Disposals	-	(674)	-	-	(3,572)	(4,246)
Depreciation charge	-	(7,970)	(79,836)	(11,251)	(7,847)	(106,904)
Foreign exchange translation	122	(160)	(666)	69	(493)	(1,128)
Closing net book value	5,383	14,963	275,030	16,588	46,392	358,356

Note 17. Leases

The group has adopted AASB 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8% for China, 6% for Japan and 9% for USA.

The interest rate implicit in the lease is not readily determinable. The Company's incremental borrowing rate is defined as the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When the lease is denominated in a foreign currency, the Company's incremental borrowing rate should be the rate at which the lessee could obtain funding for the asset in the foreign currency.

Lease liabilities recognized as at 31 December 2020:

	Consolidated 2020 AUD	Consolidated 2019 AUD
Current lease liabilities	209,652	284,809
Non-current lease liabilities	281,983	507,254
	491,635	792,063

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

The recognised right-of-use assets relate to the following types of assets:

Properties	Consolidated 2020 AUD	Consolidated 2019 AUD
Cost	808,556	935,624
Accumulated depreciation	(356,139)	(168,462)
Carrying amount	452,417	767,162

Amounts recognised in profit and loss	Consolidated 2020 AUD	Consolidated 2019 AUD
Depreciation expense on right-of-use assets	301,310	145,942
Interest expense on lease liabilities	53,754	23,087
	355,064	169,029

Note 18. Investment in associate

	Consolidated 2020 AUD	Consolidated 2019 AUD
Investment in associate [1]		
Opening balance	240,000	-
Additions at cost	-	400,000
Share of associate's loss for the period	(80,185)	(160,000)
Deemed disposal on acquisition of control	(159,815)	-
Closing balance	-	240,000

Note 18. Investment in associate (continued)

Gain recognised on fair value remeasurement of investment in associate upon acquisition of control [2]	Consolidated 2020	Consolidated 2019
	AUD	AUD
Fair value of investment in associate on date of acquisition of control	400,000	-
Less: carrying amount of investment in associate on date of acquisition of control	159,815	-
Gain recognised in profit or loss	240,185	-

[1] On 28 March 2018, the Company signed a term sheet with NewSouth Innovations Pty Ltd ("NSI"), a subsidiary of the University of New South Wales and Cystemix Pty Limited ("Cystemix"), a company established in 2002 by NSI to advance the clinical development of the potentially groundbreaking anti-cancer drug called PENAO. Beroni has paid a total of A$550,000 for this investment. The drug development was later transferred to a new company, PENAO Pty Ltd in June 2019 with NSI owning 60% of the shares of the new company and Beroni owing the remaining 40%. The investment in PENAO Pty Ltd has been treated as an equity-accounted investment under non-current assets in 2019 and until Beroni acquired control on 23 December 2020 as detailed in the note below.

[2] On 23 December 2020, Beroni and NewSouth Innovations Pty Limited (NSI) agreed to vary the original shareholding agreement entered into in July 2019 whereby through the issuance of shares and convertible notes, Beroni and NSI owns 60% and 40% respectively of the share capital of PENAO Pty Ltd. For future issues of shares to Beroni and NSI, convertible notes will also be issued to NSI which will automatically be converted to shares to restore its share ownership to 60% (unless Beroni exercises its call option to increase its shareholding to 51%) upon the occurrence of the following events:

- acceptance of a PENAO New Drug Application in China
- TGA's approval of PENAO's product for commercial sale in Australia
- 90 days prior to the completion of an initial public offering (IPO) and listing of PENAO shares in Australia or overseas stock exchange
- 90 days prior to the sale of all issued Shares in PENAO
- sale of all or substantively all of PENAO's assets

The financial statements of PENAO Pty Ltd up to the date of acquisition of control are summarised below:

	2020	2019
	AUD	AUD
Current Assets	72,236	72,236
Non-current assets	-	-
Current Liabilities	325,462	125,002
Non-current liabilities	-	-
Net assets	(253,226)	(52,764)
Issued capital	400,000	400,000
Retained earnings	(653,226)	(452,764)
Total equity	(253,226)	(52,764)
Equity attributable to owners of Beroni	(151,936)	-
Non-controlling interest	(101,290)	-
Revenue	-	-
Loss for the period	(200,461)	(452,764)
Other comprehensive income	-	-
Total comprehensive loss	(200,461)	(452,764)

Note 19. Investment in other entities

	Consolidated 2020 AUD	Consolidated 2019 AUD
Investment in shares of Dendrix Inc.[1]	1,303,007	1,945,212

[1] Pursuant to a share subscription agreement signed with Dendrix Inc. on 9 April 2018, Beroni acquired 10,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 200 million JPY (approximately A$2.43 million dollars), representing 17.92% of the total share capital of Dendrix Inc. Dendrix Inc. is a company based in Tokyo, Japan and was established in December 2012 to provide immune cell culture for treatment against malignant tumours. For the fair value assessment of the investment in the shares of Dendrix Inc., please see Note 29.

Fair value measurement

At 31 December 2020, the directors and management performed an assessment of reasonably possible changes in key assumptions and had made a fair value assessment of the investments. The fair value gains and losses are recognised in other comprehensive income and accumulated in the investments revaluation reserve.

In estimating the fair value of its investment, the Group considers the three levels of inputs to valuation techniques as follows:

a. Level 1 inputs are quoted prices in active markets for identical assets that the Group can access at the measurement date

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

c. Level 3 inputs are unobservable inputs for the asset

For the investment in the equity of Dendrix Inc, the Group has used the intellectual properties and net tangible assets value of the entity (based on its financial statements) as the basis for the fair value measurement. The Group has engaged an independent asset valuer to determine the fair value of the intellectual properties. The fair value measurement is shown in the table below. Management believes there is no reasonably possible changes in key inputs that could materially impact the fair value.

Financial assets/ financial liabilities	Fair value as at 31/12/20	Fair value as at 31/12/19	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Private equity investments	17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti-aging treatments	17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti-aging treatments	Level 3	Independent valuation of the intellectual properties (cell therapy patents) using discounted cash flows method and tangible assets owned by Dendrix Inc. Key valuation inputs were assessed to be the discount rate, cash flow compound growth rate and financial statements.	Discount rate of 11.40% and cash flow growth rate of 125% were used. Net tangible assets value was based on the latest 2020 financial statements.	The value of intellectual properties and tangible assets is a reasonable approximation of the fair value of the share investment.

Note 19. Investment in other entities (continued)

Recurring fair value measurements	31 December 2020	31 December 2019	Fair value measurements at end of reporting period: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total gain/(loss)
			AUD	AUD	AUD	AUD
Investment in equity of Dendrix Inc.	1,303,007	1,945,212	-	-	1,303,007	(1,128,508)

Note 20. Income tax

	Consolidated 2020 AUD	Consolidated 2019 AUD
Loss before income tax	(10,083,175)	(7,773,580)
Adjusted for loss in parent company *	7,670,371	5,093,962
Adjusted for loss in other group members	476,655	521,061
Profit before tax derived from operations in China	(1,936,150)	(2,158,557)
(Increase) / decrease in deferred tax asset **	-	129,165
Adjusted for foreign currency exchange impact	-	1,426
Tax expense incurred by BERONI BIOTECH	633	-
Income tax expense	633	130,591

*The Group has an estimated $10 million (parent company $7.3 million; Chinese company $2.2 million; Japanese company $0.5 million) of accumulated tax losses. As it is uncertain whether taxable profits will be available against which those tax losses can be utilised, no deferred tax asset has been recognised in the accounts.

** Deferred tax assets have been de-recognised in respect of the deductible temporary differences related to its operations in China because it is not probable that future taxable profits will be available against which the Chinese entity can use the benefits therefrom.

Unrecognised deferred tax assets	2020 Gross amount AUD	2020 Tax effect	2019 Gross amount AUD	2019 Tax effect
Deductible temporary differences related to its operations in China	629,304	157,326	1,882,689	470,672

Note 21. Trade and other payables

	Consolidated 2020 AUD	Consolidated 2019 AUD
Trade and other payables	18,902	153,797
Other liabilities	633,327	386,625
Payables to related parties	327,436	318,633
	979,665	859,056

Note 22. Earnings per share

From continuing and discontinued operations	Consolidated 2020 AUD	Consolidated 2019 AUD
Basic loss per share (cents)	(13.39)	(10.88)
Diluted loss per share (cents)	(13.21)	(10.88)

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	Consolidated 2020 AUD	Consolidated 2019 AUD
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(9,980,179)	(7,765,629)
Earnings for the purpose of diluted earnings per share	(9,980,179)	(7,765,629)
Number of shares		
Weighted average number of shares used in calculating basic earnings per share	74,526,337	71,364,732
Effect of dilutive potential ordinary shares		
Convertible loan notes	1,029,180	-
Weighted average number of shares used in calculating diluted earnings per share	75,555,517	71,364,732

Note 23. Auditors' remuneration

	Consolidated 2020 AUD	Consolidated 2019 AUD
UHY Haines Norton Sydney	95,100	93,000

Note 24. Financial risk management

Accounting classifications and fair values

The Group has financial assets of cash and cash equivalents, and trade and other receivables. The financial assets are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 31 December 2020.

The Group has financial liabilities of trade and other payables and payables to related parties. Non-derivative financial liabilities are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 31 December 2020.

General objectives, policies and processes

Activities undertaken by the Group may expose the Group to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Group. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives regular reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Note 24. Financial risk management (continued)

At 31 December 2020 and 31 December 2019, the Group held the following financial instruments:

	Consolidated 2020 AUD	Consolidated 2019 AUD
Financial Assets		
Current		
Cash and cash equivalents	4,768,763	3,010,530
Trade receivables	911,418	1,857,144
Other receivables	260,128	506,837
	5,940,309	5,374,511
Financial Liabilities		
Current		
Trade and other payables	18,902	153,797
Payables to related parties	327,436	318,633
Other liabilities	633,327	386,625
	979,665	859,055

The fair value of these financial instruments is assumed to approximate their carrying value.

(a) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amounts of financial assets.

Trade and other receivables

Impairment

The balance of trade and other receivables that were aged over 360 days and impaired at 31 December 2020 is $3,738,484 (2019: $2,935,583).

The aging of the trade and other receivables that were not impaired as at 31 December 2020 are set out in the following table.

	2020 AUD	2019 AUD
Neither past due nor impaired	260,128	506,837
0 to 180 days past due but not impaired	565,104	274,992
180 to 360 days past due but not impaired	263,241	697,920
Over 360 days past due but not impaired	83,072	884,232
	1,171,545	2,363,981

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 11.

No collateral is held over other receivables.

Note 24. Financial risk management (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of $4,768,763 at 31 December 2020. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency Standard and Poor's ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

Prudent liquidity risk management implies maintaining sufficient cash to meet its financial commitments. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity analysis

Contractual maturities of financial liabilities	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Total contractual cash flows**	**Carrying amount**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
At 31 December 2020					
Trade and other payables	-	18,902	-	18,902	18,902
Payables to related parties	-	327,436	-	327,436	327,436
Other liabilities	-	633,327	-	633,327	633,327
	-	979,665	-	979,665	979,665
At 31 December 2019					
Trade and other payables	-	151,302	2,495	153,797	153,797
Payables to related parties	-	318,633	-	318,633	318,633
Other liabilities	-	386,625	-	386,625	386,625
	-	856,560	2,495	859,055	859,055

(c) Market risk

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Note 25. Related party transactions

a) Related parties

The Group's major related parties are as follows:

1) Key management personnel

Boqing Zhang
Peter Yap Ting Wong
Hai Huang
Libing Guo
Zhinan Yin
Tameyuki Kawaguchi
Dr Richard Buchta (appointed on 1 July 2020)

Note 25. Related party transactions (continued)

2)	Substantial shareholders	Boqing Zhang Kai Shen
3)	Other related entities	Beijing Yisheng Huikang (previous holding company) Tianjin Beroni Biotechnology Co., Ltd (subsidiary of Beroni Hongkong Limited) Beroni Hongkong Limited (subsidiary of Beroni Group Limited) Beroni Japan Inc (subsidiary of Beroni Group Limited) Beroni USA Corporation (subsidiary of Beroni Group Limited) BERONI BIOTECH INC. (subsidiary of Beroni Group Limited) Medicine Plus Co., Ltd NewSouth Innovations Pty Ltd (subsidiary of University of New South Wales and joint shareholder of PENAO Pty Ltd)

b) Key Management Personnel (KMP)

Compensation

	2020 AUD	2019 AUD
Total KMP Compensation		
Short-term employee benefits	333,000	180,000
Post-employment benefits	-	-
Share-based payments	1,190,000	1,262,500
	1,523,000	1,442,500

Detailed remuneration disclosed are provided in the remuneration report on page 11.

Other transactions

In the year ended 31 December 2020, the Company has engaged the services of Asia Invest Partners Limited to manage its financial and tax affairs in Australia. Asia Invest Partners is owned by the Australian director, Peter Yap Ting Wong. The Company has paid a total of $25,000 for such services rendered in the 2020 financial year.

c) Balances with related parties

Amounts due to related parties	**2020** **AUD**	**2019** **AUD**
Mr. Boqing Zhang [1]	34,327	27,731
Ms. Fujiwara Kinuko [2]	-	290,902
NewSouth Innovations [3]	293,109	-
Total amounts due to related parties	327,436	318,633

[1] This represents $27,731 loaned to Beroni HK by Mr. Boqing Zhang, a director of Beroni HK for payment of general & administration expenses before Beroni HongKong Limited was able to open its bank accounts.
[2] This is an unsecured loan from Ms. Fujiwara Kinuko, a director of Beroni Japan Inc. to provide working capital to Beroni Japan Inc.
[3] This represents the amount of expenses paid on behalf of PENAO Pty Ltd by NewSouth Innovations Pty Ltd.

Note 26. Dividends

There was no dividend paid nor declared during the period.

Note 27. Share capital

	2020 Number of shares	2020 AUD	2019 Number of shares	2019 AUD
Ordinary shares fully paid				
At the beginning of the period	72,972,348	24,223,167	70,102,348	20,913,167
Share placements	310,000	310,000	760,000	760,000
Shares issued to directors and employees	2,390,000	2,390,000	1,760,000	2,200,000
Shares issued to US consultant and investment bank	-	-	350,000	350,000
Shares issued to financial advisor	50,000	50,000	-	-
Total ordinary shares fully paid	75,722,348	26,973,167	72,972,348	24,223,167

Note 28. Convertible notes – Equity

	Consolidated 31 December 2020 AUD	Consolidated 31 December 2019 AUD
Balance at beginning of the period	-	-
Recognition of equity component on issue of convertible notes	3,879,258	-
Balance at end of the period	3,879,258	-

In May 2020, 29,722 0% USD denominated convertible notes were issued by the Company at an issue price of $100 per note. Each note entitles the holder to convert to a fixed number of shares by dividing the face value of the note by the conversion price of US$1.728 per share. Conversion may occur at any time between the date of issue and the maturity date. As the conversion price is lower than the share price of the Company on the OTC markets in the USA at the date the convertible notes were issued, the Company's management considered that it is highly likely the convertible notes will be fully converted to shares upon maturity. The net proceeds received from the issue of the convertible notes after deducting the transaction costs are fully recognised as equity.

	AUD
Equity component of convertible notes	4,577,188
Transaction costs relating to equity component of convertible notes	(697,930)
Amount classified as equity	3,879,258

Note 29. Reserves

	Consolidated 2020 AUD	Consolidated 2019 AUD
Surplus reserve	16,885	16,885
Investment revaluation reserve	(1,128,508)	(486,303)
Foreign currency translation reserve	387,796	249,788
Total Reserves	**(723,827)**	**(219,630)**

Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

The movement in the investment revaluation reserve is presented below:

	Investment in equity instruments designated as at FVOCI AUD	Investments revaluation reserve AUD
Balance at 1 January 2020	1,945,212	486,303
Fair value loss on investment in Dendrix Inc.[1]	(642,205)	642,205
Balance at 31 December 2020	**1,303,007**	**1,128,508**

[1] Please see Note 19.

Note 30. Disposal of subsidiary

As referred to Note 9, the Group disposed of its interest in Beroni Japan Inc. The net assets of Beroni Japan Inc. at the date of disposal were as follows:

	1 October 2020 AUD
Property, plant and equipment	9,922
Intangibles	51,153
Inventories	304,301
Trade and other receivables	765
Bank balances and cash	5,735
Right-of-use assets	8,280
Current tax liability	(1,902)
Trade and other payables	(962,490)
Lease liability	(8,699)
Net assets liabilities disposed of	(592,935)
Beroni's share of net liabilities disposed of	(302,397)
Gain on disposal	302,396
Total consideration	**1**
Satisfied by:	
Cash and cash equivalents	1
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	1
Less: cash and cash equivalents disposed of	5,735
	5,734

There were no disposals of subsidiaries made in 2019. The impact of Beroni Japan Inc. on the Group's results in the current and prior years is disclosed in Note 9.

Note 31. Acquisition of subsidiaries

BERONI BIOTECH INC.

In May 2020, the Group acquired 100% of the issued share capital of BERONI BIOTECH INC. thereby obtaining control of this company. BERONI BIOTECH INC. is a private company incorporated in Japan and qualifies as a business as defined under AASB 3. BERONI BIOTECH INC. was acquired by the Group with the objective of further developing its biopharmaceutical business in the Japanese market. The issued share capital of the Japanese company is JPY 5 million or $71,403. The assets and liabilities recognized as a result of the acquisition are as follows:

	AUD
Cash	71,403
Receivables	-
Net assets acquired	**71,403**

	AUD
Purchase consideration:	
Cash paid	71,403
Total purchase consideration	**71,403**

Acquisition-related costs amounting to JPY2 million or $28,779 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the half-year period.

BERONI BIOTECH INC. contributed $7,636 revenue and $12,422 loss to the Group's profit or loss for the year between the date of acquisition and the reporting date. The loss is due to administration and set-up expenses incurred by the new subsidiary company.

Note 31. Acquisition of subsidiaries (continued)

Penao Pty Ltd

As a result of a shareholders' restructuring in December 2020, the Group increased its acquisition of the issued share capital of PENAO Pty Ltd from 40% to 60%, obtaining control of this company. PENAO Pty Ltd is jointly owned with the University of New South Wales in Sydney, Australia. PENAO Pty Ltd is set up to develop the new cancer drug called PENAO and qualifies as a business as defined in AASB 3. The reason for the acquisition of control is so that Beroni Group can help develop the drug in other countries like China, USA and Japan, in addition to Australia.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	AUD
Cash and bank balances	-
Other receivables	72,236
Total assets	72,236
Trade creditors	7,150
Accruals and other payables	345,609
Tax liabilities	(27,296)
Total liabilities	325,463
Net liabilities assumed	(253,226)
Goodwill	1,993,226
Fair value of non-controlling interest in 40% of PENAO Pty Ltd (see Note 32)	(690,000)
Total consideration	**1,050,000**
Satisfied by:	
Cash and cash equivalents	650,000
Fair value of investment in associate (see Note 16)	400,000
Total consideration transferred	**1,050,000**
Net cash outflow arising on acquisition:	
Cash consideration	650,000
Less: cash and cash equivalent balances acquired	-
	650,000

The initial accounting of the acquisition of PENAO Pty Ltd is incomplete by the end of 2020. Management will perform procedures to appropriately allocate the purchase consideration between identified assets and liabilities in 2021.

As the 60% acquisition was completed on 23 December 2020, the contribution of PENAO Pty Ltd to the Group's profit or loss for the year between the date of the acquisition and the reporting date is considered to be insignificant. If the acquisition of PENAO Pty Ltd had been completed on the first day of the financial year, the Group revenue for the year would have been the same and Group loss would have been increased to $120,277.

Note 32. Non-controlling interests

	2020	**2019**
	AUD	**AUD**
Non-controlling interests	690,000	(190,173)

The non-controlling interest (40% ownership interest in PENAO Pty Ltd) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $400,000. The fair value on initial recognition is based on the transaction price i.e. the fair value of the consideration given.

Note 33. Parent entity

The following information relates to the parent entity Beroni Group Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 3.

	2020 AUD	2019 AUD
Current assets	1,613,980	3,773,016
Non-current assets	12,063,174	11,576,615
Total assets	**13,677,154**	**15,349,630**
Current liabilities	106,278	95,436
Non-current liabilities	-	-
Total liabilities	**106,278**	**95,436**
Contributed equity	27,062,913	24,312,913
Convertible notes	3,879,258	-
Accumulated losses	(16,242,787)	(8,572,415)
Reserves	(1,128,508)	(486,303)
Total equity	**13,570,876**	**15,254,195**
Loss for the year	(7,670,371)	(5,093,962)
Other comprehensive loss for the year	(642,205)	(486,303)
Total comprehensive loss for the year	**(8,312,576)**	**(5,580,265)**

Note 34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results to the following subsidiaries in accordance with the accounting policy described in Note 2.

Name of Entity	Country of Incorporation	Equity Holding 31.12.2020 %	Equity Holding 31.12.2019 %	Principle Activities
Beroni HongKong Limited	Hong Kong	100	100	Investment holdings
Tianjin Beroni Biotechnology Co., Limited	China	100	100	Retail of health products
BERONI BIOTECH INC.	Japan	100	-	Retail of diagnostic kits
Beroni Japan Inc.	Japan	-	51	Retail of stem-cell cosmetics and cell therapies
Beroni USA Corporation	United States	100	100	Retail of diagnostic kits
Penao Pty Ltd	Australia	60	40	Anti-cancer drug development

Note 35. Reconciliation of Profit after income tax to Net Cash from operating activities

	2020 AUD	2019 AUD
Operating loss after tax	(10,083,808)	(7,904,171)
Depreciation & Amortisation	484,709	257,402
Fair value gain on revaluation of investment in associate	(240,185)	-
Shares issued to directors and senior managers	2,440,000	2,200,000
Unrealised foreign exchange loss	241,999	(910,864)
Share of loss of associate	80,185	160,000
Decrease in receivables	1,192,435	2,464,978
Decrease in prepayments	3,605,323	690,414
Decrease / (increase) in inventory	714,825	(779,366)
(Decrease) / increase in payables	(134,895)	96,818
Increase in other liabilities	351,550	200,743
Net cash flow from operating activities	(1,347,862)	(3,524,046)

Note 36. Contingencies

The Group has no contingent liabilities or commitments as at 31 December 2020 except for the following:

(a) In June 2019, Beroni signed a shareholder agreement to acquire 40% of the total share capital of PENAO Pty Ltd with NewSouth Innovations Pty Limited (NSI) owning the other 60%. NSI is the subsidiary arm of the University of New South Wales. PENAO Pty Ltd is a company recently set up to take over from Cystemix Pty Ltd the development of the anti-cancer drug called PENAO for treatment of cancer tumours. PENAO Pty Ltd will take over the licensing rights to the new drug. Beroni has initially paid $400,000 to Cystemix Pty Ltd for this investment and will pay a further $9.45 million over the next 2 years to own a total of 40% shares in PENAO Pty Ltd. In the event Beroni is not able to pay the additional $9.45 million, then PENAO Pty Ltd can issue on the same terms to NSI the shares which were to be issued to Beroni and Beroni will grant NSI an option to purchase all of the shares then held by Beroni for the lesser of and at NSi's sole discretion:

- the price per share paid by a genuine third-party investor for shares in PENAO Pty Ltd; or
- at a 20% discount on the price paid by Beroni for the Beroni Shares

(b) A claim for RMB1.4 million (approximately A$280,000) compensation was lodged by the deceased estate of a shareholder in the later part of 2020 against the Chinese subsidiary, Beroni Biotechnology Co., Ltd. The claimant challenged that the share subscription agreement entered into between the Chinese subsidiary and the deceased shareholder in the pre-IPO period before Beroni Group Limited was listed on the National Stock Exchange of Australia was not valid and thereby sought a return of the share subscription money. Beroni Biotechnology Co., Ltd has strongly defended against the claim and provided evidence that the share subscription agreement was valid and effective.

In December 2020, the Chinese court issued a judgement dismissing the validity of the claim. After the court ruling, the deceased estate lodged an appeal. The Chinese subsidiary will continue to file a strong defence. Legal advice obtained indicates that it is unlikely that the appeal will succeed and the directors are of the view that no material losses will arise in respect of the legal claim.

Note 37. Events after the Balance Sheet date

1. The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We had temporarily closed most of our office locations in the first half of 2020, with most of our workforce working from home, and had seen a reduction in customer demand, all resulting in a negative impact on Company revenue, gross profit and operating income in the first half of the year. However, in the second half of 2020, we saw a turnaround in some economies especially in China. And we saw increased demand for our products and services in this period resulting in an overall increase in our annual revenue.

   At this stage, the COVID-19 impact on our business and results has not been significant and based on our experience, we expect demand for our products and services to remain strong. We will continue to follow the various government policies and advice, and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

2. There has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:
   a) the Company's operations in future financial years, or
   b) the results of those operations in future financial years, or
   c) the Company's state of affairs in future financial years.

Directors' Declaration

In the opinion of the directors of Beroni Group Limited ("the Company"):

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Boqing Zhang

Chairman

28 April 2021

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Beroni Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beroni Group Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, 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, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i. giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

RECOVERABILITY OF RECEIVABLES

Refer to note 11 – Trade receivables of the financial report. As at 31 December 2020, the group's statement of financial position included trade receivables of $0.91 million after impairment. These trade receivables were assessed for impairment in the current year and an expected credit loss of $0.76 million was recorded as a result of this analysis.
As at 31 March 2021, we note that the trade receivables was $1.04 million after impairment (gross balance $3.13 million and provision for ECL $2.22 million).

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: ▪ The significance of this asset to the Group's consolidated statement of financial position. The gross value of trade and other receivables comprise approximately 17% of total assets; ▪ The inherent uncertainty and subjectivity associated with impairment testing due to the significant level of judgement involved in estimating future recoveries and other forward looking assumptions; and ▪ The high degree of sensitivity of expected credit loss estimates to certain assumptions. A key audit matter is trade receivables are not recoverable and they are not disclosed appropriately in the financials.	Our audit procedures included, amongst others: ▪ We assessed whether management's expected credit loss methodology was appropriate. ▪ We examined historical recoveries of trade receivables and their aging structure to determine whether management's lifetime expected credit loss matrix appeared reasonable. ▪ We reviewed and assessed other supporting documentation provided by management to substantiate the recoverability of receivables. ▪ We reviewed the subsequent aged debtor listing as at 31 March 2021 to check subsequent receipts from customers. ▪ For each debtor, we checked the movement of the balance as compared to the prior year. In case of no movements, 100% balance was provided for. In other cases, provision for ECL was made based on the history of collections and sales. ▪ We reviewed subsequent credit notes issued (if any) to check for reversal of revenue/receivable.

VALUATION OF INVESTMENTS HELD AT FAIR VALUE

Refer to Note 19 – Investment in other entities of the financial report. As at 31 December 2020, the Group's Statement of Financial Position included investments in other entities of $1.30 million, which are recorded at fair value.
As at 31 March 2021, the investment in Dendrix represented approximately 10% of the total assets.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: ▪ The significance of this asset to the Group's consolidated statement of financial position. Investments in Dendrix Inc. held at fair value comprise approximately 24% of total assets; ▪ The inherent uncertainty and subjectivity associated with the valuation of investments due to the significant level of judgement involved in estimating fair values; ▪ The high degree of sensitivity of fair value estimates to certain assumptions; and ▪ The inherent risk that the investments may be impaired. A key audit matter is that the investments are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ▪ We enquired of management as to the nature of all significant investment activities. ▪ We assessed whether management's classification of financial assets within the measurement categories of AASB 9 appeared reasonable. ▪ We examined supporting documentation provided by management to substantiate movements in investments held at fair value to conclude on the reasonability of such movements. ▪ We performed procedures required to assess the work of management's expert, used for the valuation of Dendrix. ▪ We obtained correspondence from the management for updates on the fair valuation of Dendrix. ▪ We reviewed whether disclosures and balances presented in the financial statements reflected information provided by management.

VALUATION OF INVESTMENTS IN OTHER ENTITIES

Refer to Note 8 of the financial report. For the year ended 31 December 2020 the Group recorded and impairment loss of $3.619 million in respect of investments in other entities.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: ▪ The significance of these assets to the Group's consolidated statement of financial position; and ▪ The uncertainty noted in the prior period audit as to the recoverability of the prepayment for a pending (deferred) acquisition transaction; A key audit matter is that the other investments are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ▪ We enquired of management as to the current status of the Medicine Plus prepayment, including enquiring as to whether any further transaction extensions had been granted. ▪ We performed an impairment testing for the prepayment amount, noting the recoverable amount is impacted by the forfeiture of acquisition rights once the relevant contractual period had expired.

GOODWILL AND BUSINESS ACQUISITON ACCOUNTING

Refer to Notes 14 & 31. As at 31 December 2020, the Group recorded a goodwill balance of $1.993 million. As of 31 March 2021, this balance comprised approximately 37% of the Group's total assets.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: ▪ The significance of this asset to the Group's consolidated statement of financial position; and ▪ The inherent uncertainty associated with goodwill impairment analysis; A key audit matter is that goodwill and related business combination items are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ▪ We performed procedures to assess the reasonability of management's business acquisition accounting, including the recognition of goodwill balances. ▪ We assessed the reasonability of management's impairment assessment. ▪ We assessed the reasonability of management's disclosures in respect of business acquisition accounting and goodwill.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 12 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Beroni Group Limited, for the year ended 31 December 2020, 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.

UHY Haines Norton

Mark Nicholaeff

Partner

Sydney

Date: 29 April 2021

UHY Haines Norton

Chartered Accountants