BERONI GROUP

2021 Annual Report

Beroni Group Limited

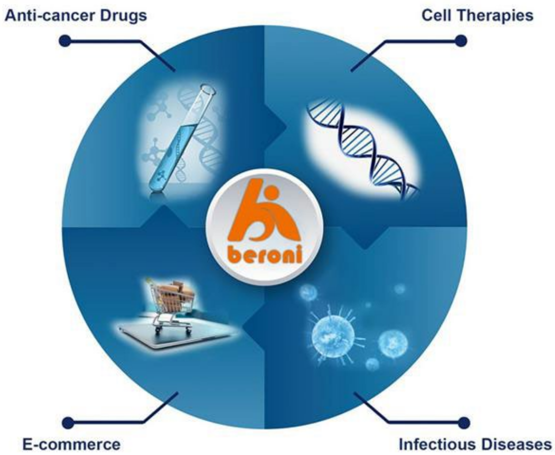
ACN: 613 077 526

NSX Code: BTG

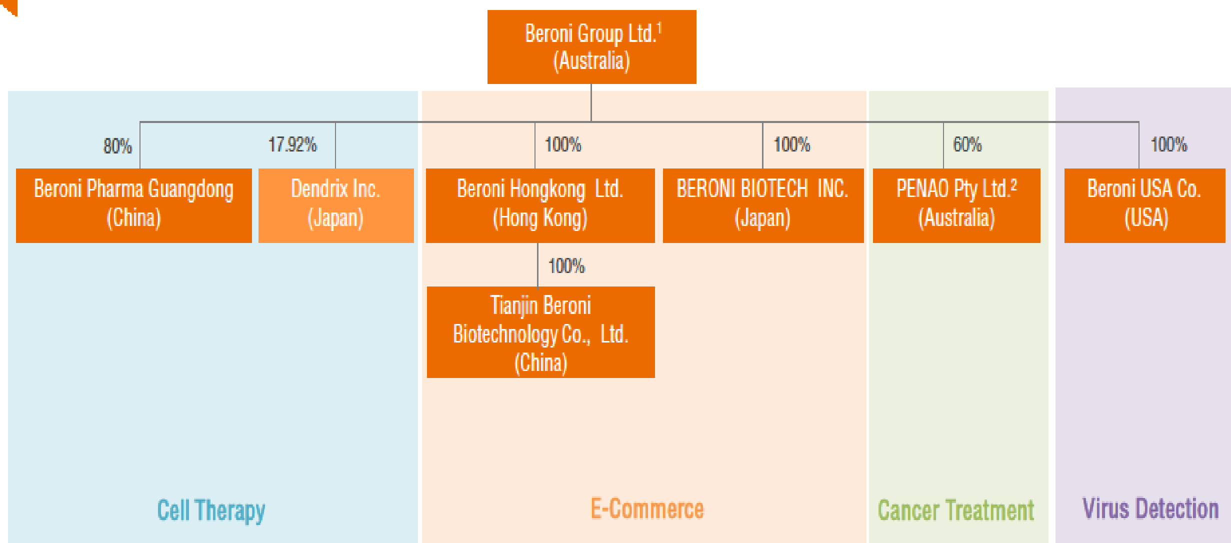
OTCQX Code: BNIGF

ABOUT BERONI GROUP

Beroni Group is an international biopharmaceutical enterprise dedicated to the innovation and commercialization of drugs and therapies to combat various global diseases such as cancer and infectious diseases. Its diversified portfolio is comprised of FDA / CE-approved virus diagnostic kits, an e-commerce platform for the sale of pharmaceutical products and a development pipeline targeting oncology and cell therapies. Beroni has operations in Australia, United States, China and Japan. It is listed on the National Stock Exchange of Australia and traded on the OTC markets in the USA.



Corporate Structure



Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

Consolidated Financial Statements

For the Year Ended 31 December 2021

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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 2021 Annual Report.

Like the previous year, 2021 was another challenging year as the COVID-19 pandemic continued into its second year. The slow-down in the global economy and the COVID-19 restrictions imposed in many countries have affected many businesses. Despite the odds, we have been able to maintain our revenues and also develop new revenue streams from new products especially our new COVID-19 test kits.

I am pleased to say that Beroni has publicly lodged the IPO application for listing on the Nasdaq stock market in December 2021. This is after many months of hard work and dedication. Our application is still subject to review by the US SEC. The successful listing of Beroni on the Nasdaq stock market will be a major milestone in our strategic development as it will give us access to a wide range of short- and long-term investment sources in the huge U.S. capital markets.

Financial Performance

Beroni reported FY2021 revenue of $2.20 million (FY2020 $1.80 million), and underlying EBITDA of -$2.19 million (FY2020: -$9.04 million) and NPAT -$2.88 million (FY2020: -$9.86 million). Despite the ongoing pandemic, this year's sales have improved by 22% over the previous year's sales. The growth is mainly attributed to the new products introduced in the second half of 2020 especially the COVID-19 antigen test kits and probiotic health supplements which have brought in new sales throughout this year. We will continue to look at new ways to promote and expand the sales to more consumers through the e-commerce networks in China. We will also look at expanding our sales to other markets and developing new quality healthcare products.

Expenses have decreased significantly this year mainly due to reversal of some past impairment losses as a result of improvement in the recovery of overdue customer debts and the significant write-off of the shares expense in 2020 related to the issue of shares to Medicine Plus in 2018 as partial settlement for the acquisition which has not yet been completed.

Research and Development

Beroni has a drug development pipeline focusing on oncology and immunotherapy. We are preparing to start the phase II clinical trial of the cancer drug, PENAO in Australia, most likely in the second half of 2022. Depending on the timing of our capital raising plans, we also intend to commence the clinical trials for several new innovative cell therapies in China and Japan such as gamma-delta T cell, dendritic cell vaccine, protein R8 for treatment of various cancer types. We are now considering to start the clinical study for the development of a medical solution for detecting and treating cancers and coronaviruses using nanobody technology.

In January 2022, Beroni signed a contract to build an R&D centre in Zhuhai China which is expected to be completed in June 2022. The new R&D centre will be used to conduct some of our planned clinical trials. The Company will bring professional staff, scientists, technicians, and support teams together into a state-of-the-art hub for innovation and development of the company's future products and services. We will always explore research programs with significant potential value and benefits and are open to collaborating with industry partners in the international markets.

Our Vision

I would like to reiterate our corporate vision which 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. We will continue to pursue 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 to achieve our strategic objectives and accomplish our vision.

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 2022. And I would also like to thank our shareholders for their support and interest in our company.

Boqing (Jacky) Zhang
Chairman and Chief Executive Officer
30 March 2022

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 2021 to 31 December 2021.

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, resigned on 1 August 2021)

Dr Richard BUCHTA (Non-executive Director)

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. He resigned from the Board on 1 August 2021.

Directors' Report (continued)

(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.

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	5	5	-	-	-	-
Hai Huang	5	5	-	-	-	-
Libing Guo	5	5	-	-	-	-
Peter Yap Ting Wong	5	5	2	2	-	-
Dr Zhinan Yin	5	5	2	2	-	-
Tameyuki Kawaguchi *	4	0	-	-	-	-
Dr Richard Buchta	5	5	2	2	-	-
Nicholas Ong **	5	4	2	1	-	-

* Resigned on 1 August 2021
** 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 and also investing in the research and development of oncology drugs and therapies.

Review of Operations

The table below sets out the selected key performance indicators for the full year ending 31 December 2021 ("FY2021") and 31 December 2020 ("FY2020"):

Directors' Report (continued)

	FY2021	FY2020 Restated***	Change %
Sales revenue	2,196,766	1,793,565	22.5%
Cost of sales	(400,309)	(1,080,248)	-62.9%
Gross profit	**1,796,457**	**713,317**	**151.8%**
Other income	463,358	138,986	233.4%
Selling and distribution expenses	(359,495)	(306,325)	-17.4%
General and administrative expenses	(5,094,734)	(5,609,909)	-9.2%
Impairment losses reversal / (losses) on trade and other receivables	507,753	(846,463)	-160.0%
Impairment losses on prepayments	-	(3,618,825)	-100.0%
Finance expense	(39,783)	(60,332)	-34.1%
Finance income	7,255	5,596	29.6%
Share of profit / (loss) of associate	-	(80,185)	-100.0%
Unrealised foreign exchange loss	(166,302)		
Realised foreign exchange gain / (loss)	45,360	(441,446)	-72.6%
Fair value gain on revaluation of investment in associate	-	240,185	-100.0%
Loss before income tax	**(2,840,131)**	**(9,865,401)**	**-71.2%**
Income tax	(42,820)	(633)	*
Loss from continuing operations	(2,882,951)	(9,866,034)	-70.8%
Gain for the year from discontinued operations	-	3,267	-100.0%
Loss for the year	**(2,882,951)**	**(9,862,767)**	**-70.8%**
Depreciation	620,361	768,746	-19.30%
Finance expense	39,783	60,332	*
Finance income	(7,255)	(5,596)	*
EBITDA **	**(2,187,242)**	**(9,041,919)**	**-75.8%**
NPAT	**(2,882,951)**	**(9,862,767)**	**-70.8%**

* Insignificant amounts
** EBITDA relates to profit before tax, depreciation and net finance costs
*** The Group has restated the comparative information to rectify a previous year error being the incorrect classification of the convertible notes which were originally included in equity instead of liability.

(A) Revenue

Sales revenue has increased by 22.5% from $1,793,565 in 2020 to $2,196,766 in 2021 despite the ongoing COVID-19 pandemic and the social restrictions imposed in many parts of the world. This year continues to be a challenging one amid the slow recovery in the global economy. The improvement in sales is a result of the Company launching new products in the last 2 years to increase its market base. The COVID-19 test kits are the biggest contributor to the increase in sales as their sales have risen from $150,700 in 2020 to $954,628 in 2021. Health supplements have almost doubled in sales in 2021, up from $287,747 to $459,623. Other products such as Nicobloc and cosmetic products have, however, declined in sales.

(B) Gross Profit

Gross profit has increased from $713,317 to $1,796,457. The reduced margin in the previous year was mainly attributed to the lower profitability of the sales of the stem-cell cosmetics. The overall gross margin has increased to 82% which is higher the past average margin of 75%.

(C) Other Income

The increase in other income is due to the $457,863 R&D tax rebate received or receivable from the Australian government to support the PENAO drug research in Australia.

Directors' Report (continued)

(D) Expenses

The decrease in general and administrative expenses is mainly due to the following change in share-based compensation expense:

- The share-based compensation expense in 2021 is lower than that in 2020. 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 $2,390,000. In 2021, the Company embarked on a new share options plan and a total of 21,351,000 share options was granted to the management and scientific teams. The cost of the share options (based on its fair value) are allocated over its 3 year vesting period. An estimated cost of $1,362,735 was allocated to the 2021 financial year.

The $507,753 impairment losses reversal on trade and other receivables in 2021 is mainly explained by the improvement in the recovery of the long outstanding debts owed by the agents and customers of the Chinese subsidiary.

The impairment losses on prepayments in 2020 was due to the $3.62 million write-off of the shares that were 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 2020. In the event that the acquisition can be completed, the shares expense will be reversed accordingly

Dividends

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

Significant Changes in State of Affairs

1. Issue of New Convertible Notes

   In May 2021, the Group raised net proceeds of $2.6 million from the issue of convertible notes to an investor in Japan. The funds raised were used to support the working capital of the Group and also to invest in the PENAO company.

2. Conversion of Convertible Notes to Ordinary Shares

   In December 2021, the investor holding 28,986 convertible notes issued a conversion notice to the Company to convert all the convertible notes to shares which were converted on 20 December 2021. The total number of shares issued for this conversion was 746,024.

3. Directors' and Employees' Shares Options

   Based on shareholders' approval at the general meeting held on July 16, 2021, the Company granted the directors an option to purchase 13,250,000 of our ordinary shares, contingent on the achievement of several performance milestones and subject to continuous employment with the Company. And on 3 September 2021, the Company granted selected employees (excluding the directors) the option to purchase 8,102,500 shares. The share options are subject to the terms, conditions, definitions and provisions provided in the Company's Employee Stock Ownership Plan and the applicable option agreement thereunder. The exercise of the option rights in accordance with the agreement gives the participants the right to obtain shares against payment of the exercise price. The options expire after three years and can only be exercised (i) upon successful initial public offering on Nasdaq at an exercise price of US$2; (ii) upon achieving annual revenues of US$3 million, US$5 million and US$7 million at an exercise price of US$2, US$2.5 and US$3 respectively; or (iii) upon the advancement of a clinical trial to the next phase at an exercise price of US$2. Once vested, that portion of the option can be exercised for a period of 90 days following the date of vesting. If not exercised during this period, any vested portion of the option will lapse without compensation. In lieu of exercising the vested portion of the option for cash, the employee may elect to receive the shares equal to the value of the exercised portion of the option.

4. Public Filing of Application for Listing on Nasdaq

   The Company publicly submitted its IPO application for listing on the Nasdaq stock market on 20 December 2021.The application is still subject to review by the SEC.

Directors' Report (continued)

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. The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is still developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

2. In January 2022, Beroni signed a contract to build a new Research & Development ("R&D") centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni aspires to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant.

   The new R&D centre -- the first R&D site for Beroni -- will help the Company develop new drugs and medicines to cater for the vast needs of the Chinese market. To start with, the Company will occupy about 4,000 square metres (44,000 square feet) of office space for setting up the GMP plant and laboratories. Construction of the new R&D facilities is expected to be completed towards the end of the second quarter, and the entire R&D centre is expected to be ready in the second half of this year. Beroni intends to commit US$10 million to support the clinical trials in the new R&D facility. A new company, Beroni Pharmaceutical (Guangdong) Co., Ltd, has been established for this new venture with Beroni owning 80% of the entity's shares and a local investor owning the other 20% shares. The Company will bring professional staff, scientists, technicians, and support teams together into a state-of-the-art hub for innovation and development of the company's future products and services.

3. On 31 January 2022, the Company raised US$0.5 million from the issue of convertible notes to an investor in China. The funds raised were used to fund the construction of the new R&D centre in China.

4. 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 2021.

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.

Remuneration governance framework

Below is the framework the Board has in place to establish and review remuneration for KMPs and employees of the Group:

- **Board** – the Board approves the overall remuneration framework and policy ensure it is fair, transparent and aligned with long term outcomes.

- **Nomination & Remuneration Committee** (NRC) – the NRC reviews and makes recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice.

Directors' Report (continued)

- **Management –** Management provides information relevant to remuneration decisions and provides recommendations to the NRC.

Principles used to determine the nature and amount of remuneration

The principles used to determine the nature, amount and make-up of remuneration for KMPs are:

- External Equity: Deliver market competitive reward packages necessary to attract and retain talented employees, taking into account the employee's geographical location;
- Performance & Reward link: Make clear the line of sight between performance and reward to ensure that superior performance is recognised and rewarded, with a view to driving long-term growth and shareholder value;
- Internal Equity: Provide fair, consistent and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes;
- Affordability and Sustainability: Manage the balance between reward funding and Company performance / financial outcomes; and
- Communication and Governance: Ensure a level of transparency and clarity in reward design and governance processes.

Directors' Remuneration

Executive and Non-executive Directors receive remuneration for undertaking their role in the form of an annual cash fee and the grant of shares or options to acquire shares in the Company. The options to acquire shares in the Company are issued pursuant to the Employee Share Options Plan (ESOP). Details of the ESOP are outlined in Note 25 of the Notes to the Consolidated Financial Statements.

The purpose and advantage of these Options is to provide a non-cash form of remuneration that further aligns the interests of Directors with shareholders and also promotes an ownership culture by all participating Directors. The remuneration for the executive and non-executive Directors reflects the responsibilities and time commitment necessary for the role, the amount of travel required and the time and diligence required in ensuring open, timely and transparent communication between the various entities of the Group. Directors may also be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company. There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

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	1 August 2021	Osaka, Japan
Nicholas Ong	Non-executive Director	1 March 2021	-	Perth, Australia

Directors' Report (continued)

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]	2021	180,000	-	-	-	-	389,513	-	569,513	68.39%
	2020	110,000	-	-	-	-	-	600,000	710,000	0%
Hai Huang [1]	2021	80,000	-	-	-	-	97,378	-	177,378	54.90%
	2020	55,000	-	-	-	-	-	150,000	205,000	0%
Peter Yap Ting Wong [1]	2021	120,000	-	-	-	-	194,756	-	314,756	61.88%
	2020	80,000	-	-	-	-	-	250,000	330,000	0%
Libing Guo [1]	2021	40,000	-	-	-	-	61,770	-	101,770	60.70%
	2020	30,000	-	-	-	-	-	130,000	160,000	0%
Dr Zhinan Yin	2021	40,000	-	-	-	-	37,280	-	77,280	48.24%
	2020	40,000	-	-	-	-	-	60,000	100,000	0%
Dr Richard Buchta [2]	2021	36,000	-	-	-	-	37,280	-	73,280	50.87%
	2020	18,000	-	-	-	-	-	-	18,000	-
Tameyuki Kawaguchi	2021	-	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-	-	-
Nicholas Ong [3]	2021	36,000	-	-	-	-	37,280	-	73,280	50.87%
	2020	-	-	-	-	-	-	-	-	-

[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. Also company secretary. Salary includes fees as company secretary and director.

KMPs' shareholding and interests in the Company

		Balance 1 January 2021	Acquired	Granted as Remuneration	Fair Value of Grant [2] $	Disposed	Options Vested & Exercisable at 31 December 2021	Balance 31 December 2021
Jacky Boqing Zhang	Shares	25,028,132	10,350	-	-	-	-	25,038,482
	Options	-	-	6,000,000	389,513	-	-	6,000,000
Hai Huang	Shares	2,041,766	-	-	-	-	-	2,041,766
	Options	-	-	1,500,000	97,378	-	-	1,500,000
Peter Yap Ting Wong	Shares	520,000	-	-	-	-	-	520,000
	Options	-	-	3,000,000	194,756	-	-	3,000,000
Libing Guo	Shares	4,252,238	-	-	-	-	-	4,252,238
	Options	-	-	950,000	61,770	-	-	950,000
Dr ZhinanYin	Shares	100,000	-	-	-	-	-	100,000
	Options	-	-	600,000	37,280	-	-	600,000
Dr Richard Buchta	Shares	-	-	-	-	-	-	-
	Options	-	-	600,000	37,280	-	-	600,000
Tameyuki Kawaguchi	Shares	2,067,900	-	-	-	-	-	2,067,900
	Options	-	-	-	-	-	-	-
Nicholas Ong	Shares	64,954[1]	-	-	-	100	-	64,854
	Options	-	-	600,000	37,280	-	-	600,000

[1] Nicholas Ong was allocated shares in his role as the company secretary before his appointment as a non-executive director in March 2021.
[2] The fair value of options granted as remuneration is the fair value calculated at the grant date. The amount is allocated to remuneration over the 3-year vesting period. For details on the valuation methodology used, for options and the assumptions made refer to Note 25.

Directors' Report (continued)

Directors' options

Set out below is a summary of the terms and conditions of the Options issued to the Directors during the reporting period:

<table>
<tr><td>Issue Date</td><td>1 July 2021</td></tr>
<tr><td>Option holders</td><td>Executive and Non-Executive Directors</td></tr>
<tr><td>Number of Options issued</td><td>
<table>
<tr><td>Director</td><td>Number of Options</td></tr>
<tr><td>Jacky Boqing Zhang</td><td>6,000,000</td></tr>
<tr><td>Hai Huang</td><td>1,500,000</td></tr>
<tr><td>Peter Yap Ting Wong</td><td>3,000,000</td></tr>
<tr><td>Libing Guo</td><td>950,000</td></tr>
<tr><td>Dr Zhinan Yin</td><td>600,000</td></tr>
<tr><td>Dr Richard Buchta</td><td>600,000</td></tr>
<tr><td>Nicholas Ong</td><td>600,000</td></tr>
</table>
</td></tr>
<tr><td>Quotation</td><td>Options are not quoted on the NSX. The Company will make application to the NSX for Official Quotation of Shares issued on Options vesting and being exercised.</td></tr>
<tr><td>Vesting Date</td><td>The Options vest and become capable of exercise in 5 tranches over a 3-year period as follows:
<table>
<tr><td></td><td>Vesting Condition</td><td>Exercise Price</td><td>Vesting Date</td></tr>
<tr><td>Tranche 1</td><td>Nasdaq Listing</td><td>US$2</td><td>30 June 2024</td></tr>
<tr><td>Tranche 2</td><td>Annual revenue exceeds US$3 million</td><td>US$2</td><td>30 June 2024</td></tr>
<tr><td>Tranche 3</td><td>Annual revenue exceeds US$5 million</td><td>U$2.5</td><td>30 June 2024</td></tr>
<tr><td>Tranche 4</td><td>Annual revenue exceeds US$7 million</td><td>US$3</td><td>30 June 2024</td></tr>
<tr><td>Tranche 5</td><td>One clinical trial advances to next phase</td><td>US$2</td><td>30 June 2024</td></tr>
</table>
</td></tr>
<tr><td>Issue price per Option</td><td>No amount is payable on issue of the Options</td></tr>
<tr><td>Expiry Date</td><td>Each option will expire at 5:00 pm (AEST) on that date which is three (3) years after the date that they are issued ("Expiry Date"). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.</td></tr>
<tr><td>Exercise Period</td><td>Once vested, that portion of the Option will be exercisable by the director for a period of ninety (90) days following the date of vesting ("Exercise Period"). If not exercised by the director during the Exercise Period, any vested portion of the Option will lapse and no longer be exercisable by the director.</td></tr>
<tr><td>Vesting Conditions</td><td>Participants must have remained as Executive or Non-Executive Director up until and including the Vesting Date.</td></tr>
<tr><td>Restrictions</td><td>Option holders are not entitled to assign, transfer, sell, encumber, hedge or otherwise deal with Options, except in accordance with the ESOP Rules and the Securities Trading Policy.</td></tr>
</table>

End of Remuneration Report

Directors' Report (continued)

5 Year Summary of Financial Performance

		2021	2020 Restated*	2019	2018	2017
Gross Revenue	$'000	2,197	1,794	1,697	2,164	2,291
Profit / (loss) attributable to shareholders	$'000	(3,044)	(10,267)	(8,276)	(2,147)	(604)
Total assets	$'000	11,909	11,573	14,826	18,633	11,300
Total liabilities	$'000	3,602	4,002	1,700	389	484
Shareholders funds	$'000	8,306	7,571	13,127	18,245	10,816
Earnings per share	Cents	(3.51)	(13.10)	(11.08)	(3.82)	(1.40)
Dividends per share	Cents	-	-	-	-	-
Net tangible assets per share	Cents	6.60	5.58	16.05	24.12	19.89
Price Earnings ratio	X	-	-	-	-	-

* The Group has restated the comparative information to rectify a previous year error being the incorrect classification of the convertible notes which were originally included in equity instead of liability.

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, 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 the Auditor of the Company against a liability incurred as such an 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 18.

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
Chairman and Chief Executive Officer
30 March 2022

Other Shareholder Information

Distribution of shareholders

As at 31 December 2021, the Company had 228 shareholders and a total of 75,722,348 fully paid ordinary shares on issue. As at 31 December 2021, 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	26	173,519	0.23
10,001 – 100,000	120	3,770,456	4.92
100,001 and over	59	72,606,056	94.76
Total	**228**	**76,618,372**	**100.00**

Substantial Shareholders

Substantial shareholders as at 31 December 2021 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Jacky Boqing Zhang	25,038,482	32.68%
Kai, Shen	12,523,620	16.35%
Libing, Guo	4,252,238	5.55%

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	Mr Boqing Zhang	25,038,482	32.68
2	Mr Kai Shen	11,523,620	15.04
3	Mr Libing Guo	4,252,238	5.55
4	Ms Shuang Ma	3,244,826	4.24
5	Mr Gang Wang	2,820,462	3.68
6	Mr Tameyuki Kawaguchi	2,067,900	2.70
7	Mr Hai Huang	2,041,766	2.66
8	Ms Jianxia Gao	1,853,392	2.42
9	Mr Zhihe Hu	1,621,766	2.12
10	Mr Bo Ma	1,485,286	1.94
11	Xiaokun Wang	1,117,453	1.46
12	Mr Kai Shen	1,000,000	1.31
13	Mr Xiangxin Li	857,065	1.12
14	Mr Hanlin Zhang	777,375	1.01
15	Yukio Hatoyama	746,024	0.97
16	USA register control a/c	744,000	0.97
17	BNP Paribas nominees Pty Ltd ACF Clearstream	624,106	0.81
18	Mr Xiangxin Li	594,210	0.78
19	Ms Yan Sun	571,599	0.75
20	Ms Binyan Yu	571,599	0.75
	Top 20 holders of ordinary fully paid shares	**63,553,169**	**82.95**
	Remaining holders balance	**13,065,203**	**17.05**
	Total	76,618,372	100.00%

Corporate Directory

Registered Office

Beroni Group Limited

Level 16
175 Pitt Street
Sydney NSW 2000
Australia
Tel: +61 2 9159 1827

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

Directors

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

Company Secretary

Nicholas Ong

Share Registry

Computershare
Level 11
172 St Georges Terrace
Perth WA 6000, Australia

GPO Box D182
Perth
WA 6840

T: (61) 8 9323 2000

www.computershare.com.au

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

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 2021, 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.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Date: 30 March 2022

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2021 AUD	Consolidated Year Ended 31.12.2020 Restated * AUD
Sales revenue	6	2,196,766	1,793,565
Cost of sales		(400,309)	(1,080,248)
Gross profit		1,796,457	713,317
Other income			
Government subsidy	7	463,358	129,566
Other revenue		-	9,420
Selling and distribution expenses	8	(359,495)	(306,325)
General and administration expenses	8	(5,094,734)	(5,609,909)
Impairment loss reversals / (losses) on trade and other receivables	8, 11	507,753	(846,463)
Impairment losses on prepayments	8	-	(3,618,825)
Finance expense		(39,783)	(60,332)
Finance income		7,255	5,596
Share of loss of associate	18	-	(80,185)
Fair value gain on revaluation of investment in associate	18	-	240,185
Unrealised foreign exchange loss		(166,302)	-
Realised foreign exchange gain / (loss)		45,360	(441,446)
Loss before income tax		**(2,840,131)**	**(9,865,401)**
Income tax expense	20	(42,820)	(633)
Net loss for the year from continuing operations		**(2,882,951)**	**(9,866,034)**
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)		938,977	138,008
Items that will not be reclassified subsequently to profit or loss			
Fair value impairment in investment in Dendrix Inc	19, 30	(1,303,007)	(642,205)
Total comprehensive loss for the year		**(3,246,981)**	**(10,366,964)**
Loss for the year is attributable to:			
Owners of Beroni Group Limited		(2,663,302)	(9,762,405)
Non-controlling interest		(219,649)	(100,362)
Total loss for the year		**(2,882,951)**	**(9,862,767)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited		(3,043,688)	(10,266,602)
Non-controlling interest		(219,649)	(100,362)
Total comprehensive loss for the year		**(3,246,981)**	**(10,366,964)**
Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic loss per share	22	(3.51)	(13.10)
Diluted loss per share	22	(3.51)	(13.10)

*The Group has restated the comparative information to rectify a previous year error being the incorrect classification of the convertible notes which were originally included in equity instead of liability. See Note 35.

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 31.12.2021 AUD	Consolidated As at 31.12.2020 Restated * AUD
Current Assets			
Cash and cash equivalents	10	5,744,957	4,768,763
Trade receivables	11	1,291,086	911,418
Other receivables	11	391,813	260,128
Prepayments and other current assets	12	477,844	131,329
Inventories	13	316,072	112,714
Total current assets		8,221,772	6,184,352
Non-Current Assets			
Intangible assets	14, 15	3,252,777	3,342,430
Property, plant and equipment	16	164,849	243,721
Right-of-use assets	17	218,821	452,417
Investment in other entities	19	-	1,303,007
Other assets		51,165	47,047
Total non-current assets		3,687,612	5,388,622
Total Assets		**11,909,384**	**11,572,974**
Current Liabilities			
Trade and other payables	21	21,598	18,902
Borrowings from related parties	21	26,730	327,436
Lease liabilities	17	229,373	209,652
Other current tax liabilities		86,657	35,089
Convertible notes payable	21	2,857,835	2,488,649
Other liabilities	21	345,982	633,327
Total current liabilities		3,568,175	3,713,055
Non-Current Liabilities			
Lease liabilities	17	34,260	281,983
Other liabilities		-	6,741
Total non-current liabilities		34,260	288,724
Total Liabilities		**3,602,435**	**4,001,779**
Net Assets		**8,306,949**	**7,571,195**
Equity			
Issued capital	28	30,766,002	26,973,167
Convertible notes – equity	29	-	1,172,835
Reserves	30	274,879	(723,826)
Retained earnings		(23,204,283)	(20,540,981)
Equity attributable to equity holders of the parent entity		**7,836,598**	**6,881,195**
Non-controlling interests	32	470,351	690,000
Total Equity		**8,306,949**	**7,571,195**

* The Group has restated the comparative information to rectify a previous year error being the incorrect classification of the convertible notes which were originally included in equity instead of liability. See Note 35.

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**	**Share options reserve**	**Convertible notes - equity**	**Foreign currency translation reserve**	**Retained earnings**	**Non-controlling interests**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Consolidated 2021									
Balance at 1 January 2021	26,973,167	16,885	(1,128,508)	-	3,879,258	387,797	(20,758,755)	690,000	10,059,844
Prior year adjustments	-	-	-	-	(2,706,423)	-	217,774	-	(2,488,649)
Restated balance at 1 January 2021	26,973,167	16,885	(1,128,508)	-	1,172,835	387,797	(20,540,981)	690,000	7,571,195
Comprehensive income/(loss) for the year:									
Net loss for the period	-	-	-	-	-	-	(2,663,302)	(219,649)	(2,882,951)
Other comprehensive gain / (loss) for the year	-	-	(1,303,007)	-	-	938,977	-	-	(364,030)
Total comprehensive loss for the year	**-**	**-**	**(1,303,007)**	**-**	**-**	**922,621**	**(2,663,302)**	**(219,649)**	**(3,246,981)**
Capital contribution from share placements	-	-	-	-	-	-	-	-	-
Ordinary shares issued to service providers	150,000	-	-	-	-	-	-	-	150,000
Shares-based payments	-	-	-	1,362,735	-	-	-	-	1,362,735
Convertible bond – option premium	-	-	-	-	2,470,000	-	-	-	2,470,000
Convertible bond – converted to shares	3,642,835	-	-	-	(3,642,835)	-	-	-	-
Balance at 31 December 2021	**30,766,002**	**16,885**	**(2,431,515)**	**1,362,735**	**-**	**1,326,774**	**(23,204,283)**	**470,351**	**8,306,949**

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**
Consolidated 2020	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
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**

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 31.12.2021 AUD	Consolidated Year Ended 31.12.2020 AUD
Cash flows from operating activities:			
Receipts from customers		2,933,062	2,486,493
Payments to suppliers and employees		(4,683,593)	(3,673,957)
Interest paid		(33,011)	(53,013)
Income tax paid		(217,557)	(107,385)
Net cash used in operating activities	34	(2,001,099)	(1,347,862)
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company, net of transaction costs		2,470,000	290,000
Net proceeds from issue of convertible notes		525,662	3,879,258
(Repayment of) / gross proceeds from borrowings		(6,995)	(42,734)
Principal component of lease payments		(217,545)	(236,884)
Net cash generated from financing activities		2,771,122	3,889,640
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		2,465	-
Purchase of property, plant and equipment		(5,650)	(6,182)
Interest received		292	-
Payments for intangible assets		(12,345)	(60,112)
Investment in other entities		-	(648,883)
Payment for other investing activities		-	(5,734)
Net cash generated used in investing activities		(15,238)	(720,911)
Net increase / (decrease) in cash and cash equivalents		754,785	1,820,867
Cash and cash equivalents at beginning of the period		4,768,763	3,010,530
Exchange (loss) / gain on cash and cash equivalents		221,410	(62,634)
Cash and cash equivalents at end of the period	10	5,744,957	4,768,763

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 2021. 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**
Level 16	Level 10, Building 11
175 Pitt 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 and also investing in the research and development of oncology drugs and therapies. 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 30 March 2022.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2021 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 2021 and 2020.

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

New, revised or amended Accounting Standards and Interpretations adopted

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 2021.

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.

3.3 Revenue recognition (continued)

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.

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.

3.6 Trade and other receivables (continued)

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.

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

3.10 Lease liabilities (continued)

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.

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 compensation benefits

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.

Share-based compensation benefits are provided to directors and employees via the Beroni Group Limited's Employee Share Options Plan. The fair value of options granted under the Beroni Group Limited's Employee Share Options Plan are recognised as an employee benefit expense with a corresponding increase in equity (share options reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, the performance conditions are taken into account ("non-market performance conditions") other than those related to the share price of Beroni Group Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet performance conditions such as sales targets and clinical trial advancement. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

3.18 Employee benefits (Continued)

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

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.

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

Note 5. Segment reporting (continued)

Segment information

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

Segment	Segment Revenue 2021 AUD	Segment Revenue 2020 AUD	Segment Gross Profit 2021 AUD	Segment Gross Profit 2020 Restated * AUD
Nicobloc	151,039	476,055	65,928	330,402
Fogibloc air purifier	-	-	-	-
Olansi water filter	1,869	2,119	910	1,770
Health supplements	459,623	287,747	381,103	239,546
Cosmetic products	382,998	817,217	336,328	(6,153)
Viral diagnostic kits	954,628	150,700	849,907	116,628
All other	246,608	59,727	162,281	31,124
Total for all segments	2,196,766	1,793,565	1,796,457	713,317
Other income			463,358	138,986
Unallocated selling and distribution expenses			(359,495)	(306,325)
Central general and administrative expenses			(4,707,923)	(10,356,643)
Net finance costs			(32,528)	(54,736)
Loss before income tax			(2,840,131)	(9,865,401)

* See Note 35.

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2020: Nil).

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 2021 AUD	Sales Revenue by Geographical Market 2020 AUD
China	2,196,766	1,785,929
Japan [1]	-	7,636
	2,196,766	1,793,565

[1] Japan sales in 2020 were related to viral diagnostic kits.

Note 5. Segment reporting (continued)

Major customers

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

	2021 AUD	2020 AUD
China Business Belloni (Tianjin) Technology Co., Ltd	967,351	906,806
Clayton Dynamics Co. Ltd.	954,266	-
Guangzhou TRM Cosmetics	-	539,091
	1,921,617	1,468,047

Note 6. Revenue

	Consolidated 2021 AUD	Consolidated 2020 AUD
Sales	2,196,766	1,793,565

Note 7. Government subsidy

	Consolidated 2021 AUD	Consolidated 2020 AUD
Government subsidy	463,358	129,566

The government subsidy in 2021 mainly represents the $457,863 R&D tax rebate received or receivable from the Australian government to support the PENAO drug research in Australia whereas the amount in 2020 relates to the various subsidies received by Beroni China from the local government as financial assistances granted to local high-tech enterprises during the COVID-19 pandemic.

Note 8. Expenses

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

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Wages and salaries	724,356	648,930
Rent expenses	26,754	-
R&D expenses	554,621	405,080
Legal fees	96,605	49,751
Listing expenses	516,120	404,229
Depreciation and amortisation	620,361	768,746
Share-based compensation benefits [1]	1,362,735	2,390,000
Expected credit losses / (reversals) on trade and other receivables [2]	(507,753)	846,463
Expected credit losses on prepayments [3]	-	3,618,825
All other expenses	1,552,677	1,249,498
	4,946,476	10,381,522

[1] Share-based compensation benefits in 2021 are the cost of the stock options granted to directors and employees whereas those in 2020 were the cost of the 2,390,000 outright shares allocated to these groups.
[2] See Note 11.
[3] See Note 12.

* See Note 35.

Note 9. Discontinued operations

The Group disposed of Beroni Japan Inc. in October 2020. The results of the discontinued operations, which have been included in the profit for the 2020 financial year, were as follows:

	Year ended 31 December 2020 AUD
Revenue	-
Expenses	(200,713)
Loss before tax	**(200,713)**
Attributable tax expense	-
Net loss	**(200,713)**
Gain on disposal of discontinued operations	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**

Note 10. Cash and cash equivalents

	Consolidated 2021 AUD	Consolidated 2020 AUD
Cash on hand	646	834
Cash at bank	5,744,311	4,767,929
Total cash and cash equivalents	5,744,957	4,768,763

Note 11. Trade and other receivables

	Consolidated 2021 AUD	Consolidated 2020 AUD
Amounts due from customers	3,164,760	3,127,827
Less: Provision for expected credit losses [1]	(1,873,674)	(2,216,409)
Trade receivables	1,291,086	911,418
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	679,786	557,335
Less: Provision for expected credit loss	(287,973)	(297,207)
Other receivables	391,813	260,128

[1] Being decrease in expected credit losses based on trade receivables aging at 31 December 2021.

Note 11. Trade and other receivables (continued)

[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. But 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 2021 AUD	Consolidated 2020 AUD
At 1 January	3,738,484	2,935,583
(Decease) / Increase in provision for expected credit losses	(507,753)	846,463
Exchange differences	155,784	(43,562)
At 31 December	3,386,515	3,738,484

	Not past due	Less than 6 months	6-12 months	Between 1 and 2 years	Total
	AUD	AUD	AUD	AUD	AUD
Expected credit loss %	-	-	-	100%	66.80%
Gross carrying amount	428,799	660,873	593,227	3,386,515	5,069,414
Expected credit loss provision	-	-	-	3,386,515	3,386,515

Note 12. Prepayments and other current assets

	Consolidated 2021 AUD	Consolidated 2020 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	477,844	131,329
	477,844	131,329

[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 2021 AUD	Consolidated 2020 AUD
Raw materials	4,102	4,711
Finished goods	311,970	108,003
Total Inventories	316,072	112,714

Note 14. Intangible assets

	Consolidated 2021 AUD	Consolidated 2020 AUD
PENAO patents (see Note 15)	1,993,226	1,993,226 *
Capitalised development cost [1]	1,148,602	1,212,972
Other patents [2]	110,581	135,893
Software	368	339
	1,259,551	1,349,204

* Previously classified as goodwill in 2020.

[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] Columbia University has secured the ArboViroPlex rRT-PCR Test patent in three countries namely USA, India, and China. 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 15. Intangible asset - PENAO patents

	Consolidated 2021 AUD	Consolidated 2020 AUD
PENAO patents	1,993,226	1,993,226

As stated in the prior year financial report, the accounting for the acquisition of PENAO was incomplete as of 31 December 2020. During 2021, the Group finalised its measurement period adjustments allowed under AASB 3. The net result of these adjustments was to transfer the recognised goodwill in full to other intangible assets. As this asset is not yet ready for use, no impairment was noted as of 31 December 2020 and there is no impact on profit and loss in 2020 from this adjustment

The Group tests intangible assets not yet ready for use annually for impairment, or more frequently if there are indications that intangible assets not yet ready for use might be impaired. For the purpose of the impairment testing, the intangible assets not yet ready for use are the patents owned by the Cash Generating Unit ("CGU") – PENAO Pty Ltd, an Australian company set up to develop the new cancer drug, PENAO.

The recoverable amount of the patents owned by the PENAO company was based on the fair value of the commercialisation of the cancer drug upon successful completion of the clinical trials, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 19). The Group has engaged an independent business valuation expert, Leadenhall, to determine the fair value of the PENAO patents.

The key assumptions used in the estimation of the fair value are set out below.

Cash flow projections

The cash flow projections included estimates for 15 years until the PENAO drug patents expire in 2036 and another 10 years thereafter as generics enter the market with PENAO's market share falling to one third of the protected market while under patent.

Note 15. Intangible asset - PENAO patents (continued)

Forecast sales

- Estimated global oncology sales expected to reach $595 billion by 2036, the year in which PENAO is forecast to reach peak sales with annual growth rate of 8% (source reference: "IQVIA Institute Global Oncology Trends 2019").
- Forecast peak revenue for PENAO of US$4.1 billion based on a market share of 0.5% of total global oncology sales.
- Estimated peak market share of 0.5% of target cancer patients.
- Estimated average selling price of $75,000 per patient as at 2022, with forecast price growth of 5% per annum.

Forecast development costs

Development costs are forecast to be overall US$40 million over the period 2022 to 2026, for phase two and three clinical trials.

Forecast EBITDA

The forecast EBITDA is based on industry cost structure of generic origin pharmaceutical companies in 2014. The average EBITA is 32% of sales.

Probability of success

PENAO is a research phase anti-cancer drug which has completed phase one clinical trials and expects to commence phase two clinical trials in the second half of 2022. The probability of success is 10% based on the Biotechnology Innovation Organisation report which estimates average success rates for oncology treatments to be 10.8% from phase two to approval.

Discount rate

The discount rate of 16% was used which is a post-tax measure estimated based on the industry cost of equity as research stage biotechnology companies typically have difficulty accessing and servicing debt funding.

As the estimated recoverable amount of the CGU has exceeded its carrying amount, no impairment is required.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the patents to which goodwill was allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of PENAO would not cause the carrying amount to exceed the recoverable amount of the patents.

Note 16. Property, plant and equipment

2021	**Land & Building AUD**	**Machinery AUD**	**Motor Vehicle AUD**	**Office Equipment AUD**	**Other Equipment AUD**	**Total AUD**
Opening net book value	-	6,590	174,704	19,095	43,332	243,721
Depreciation Adjustment	-	15,870	-	-	(15,870)	-
Additions	-	-	-	5,921	-	5,921
Disposals	-	-	(15,893)	(3,351)	-	(19,244)
Depreciation charge	-	(8,645)	(67,798)	(5,067)	(5,091)	(86,601)
Foreign exchange translation	-	577	15,291	1,669	3,515	21,051
Closing net book value	-	14,392	106,304	18,268	25,885	164,849

Note 16: Property, plant and equipment (continued)

2020	Land & Building	Machinery	Motor Vehicle	Office Equipment	Other Equipment	Total
	AUD	AUD	AUD	AUD	AUD	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

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 2021:

	Consolidated 2021 AUD	Consolidated 2020 AUD
Current lease liabilities	229,373	209,652
Non-current lease liabilities	34,260	281,983
	263,633	491,635

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 2021 AUD	Consolidated 2020 AUD
Cost	808,556	808,556
Accumulated depreciation	(589,735)	(356,139)
Carrying amount	218,821	452,417

Amounts recognised in profit and loss	Consolidated 2021 AUD	Consolidated 2020 AUD
Depreciation expense on right-of-use assets	222,883	301,310
Interest expense on lease liabilities	33,011	53,754
	255,894	355,064

Note 18. Investment in associate

	Consolidated 2021 AUD	Consolidated 2020 AUD
Investment in associate [1]		
Opening balance	-	240,000
Additions at cost	-	-
Share of associate's loss for the period	-	(80,185)
Deemed disposal on acquisition of control	-	(159,815)
Closing balance	-	-

Gain recognised on fair value remeasurement of investment in associate upon acquisition of control [2]	Consolidated 2021 AUD	Consolidated 2020 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

Note 19. Investment in other entities

	Consolidated 2021 AUD	Consolidated 2020 AUD
Investment in shares of Dendrix Inc.[1]	-	1,303,007

[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.

Fair value measurement

At 31 December 2021, 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.

Note 19. Investment in other entities (continued)

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 previously 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. In 2020, the management had engaged an independent asset valuer to determine the fair value of the intellectual properties. However in 2021, the Group having reviewed the latest financial statements of Dendrix Inc. noted that the company has shown a significant deterioration in its 2021 financial performance resulting in a negative shareholders' equity. Given the negative equity and the worsening financial results, the management has decided to fully impair the value of its investment in Dendrix Inc.

Financial assets/ financial liabilities	**Fair value as at 31/12/21**	**Fair value as at 31/12/20**	**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	Due to negative equity and deteriorating financial results, management has decided to fully impair the investment in Dendrix Inc.	Not applicable.	Not applicable.

Recurring fair value measurements	**31 December 2021**	**31 December 2020**	**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	-	-	0	(1,303,007)

Note 20. Income tax

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Loss before income tax	(2,840,131)	(9,865,401)
Adjusted for loss in parent company [1]	2,841,782	7,452,597
Adjusted for loss in other group members	428,875	476,654
Profit before tax derived from operations in China	430,525	(1,936,150)
(Increase) / decrease in deferred tax asset [2]	-	-
Adjusted for foreign currency exchange impact	-	-
Tax expense incurred by BERONI BIOTECH	849	633
Prior year adjustment on income tax incurred by Beroni China	41,971	-
Income tax expense	42,820	633

* See Note 35.

[1] The Group has an estimated $10 million (parent company $7.3 million; Chinese company $2.2 million; Japanese company $0.1 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.

[2] 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	2021 Gross amount AUD	2021 Tax effect	2020 Gross amount AUD	2020 Tax effect
Deductible temporary differences related to its operations in China	1,877,880	469,470	629,304	157,326

Note 21. Trade and other payables

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Trade and other payables	21,598	18,902
Other liabilities	345,982	633,327
Convertible notes payable [1]	2,857,835	2,488,649
Payables to related parties	26,730	327,436
	3,252,145	3,468,314

[1] In May 2020, 20,736 0% USD denominated convertible notes were issued by the Company to an investor 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. The maturity date was initially set at May 2021 but was later extended to May 2022. As the investor can redeem the convertible notes upon maturity, the net proceeds received from the issue of these convertible notes are recognised in liability. The transaction costs of $486,921 are amortised over the duration of the convertible notes. The movements in the convertible notes payable are shown below.

Note 21. Trade and other payables (continued)

Convertible notes payable

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
At 1 January	2,488,649	-
Convertible bonds issued	-	2,691,533
Amortised / (Unamortised) transaction cost related to convertible bonds issued	202,884	(202,884)
Unrealised foreign exchange loss on convertible bonds issued	166,302	-
At 31 December	2,857,835	2,488,649

* See Note 35.

Note 22. Earnings per share

From continuing and discontinued operations	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Basic loss per share (cents)	(3.51)	(13.10)
Diluted loss per share (cents)	(3.51)	(13.10)

* See Note 35.

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

Earnings	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(2,663,302)	(9,762,405)
Earnings for the purpose of diluted earnings per share	(2,663,302)	(9,762,405)
Number of shares		
Weighted average number of shares used in calculating basic earnings per share	75,797,434	74,526,337
Effect of dilutive potential ordinary shares		
Convertible loan notes	-	-
Weighted average number of shares used in calculating diluted earnings per share	75,797,434	74,526,337

At 31 December 2021, 21,351,000 options (2020: Nil) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

* See Note 35.

Note 23. Auditors' remuneration

	Consolidated 2021 AUD	Consolidated 2020 AUD
UHY Haines Norton Sydney	98,200	95,100

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 2021.

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 2021.

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.

At 31 December 2021 and 31 December 2020, the Group held the following financial instruments:

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Financial Assets		
Current		
Cash and cash equivalents	5,744,957	4,768,763
Trade receivables	1,291,086	911,418
Other receivables	391,813	260,128
	7,427,856	5,940,309
Financial Liabilities		
Current		
Trade and other payables	21,598	18,902
Payables to related parties	26,730	327,436
Convertible notes payables	2,857,835	2,488,649
Other liabilities	345,982	633,327
	3,252,145	3,468,314

* See Note 35.

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.

Note 24. Financial risk management (continued)

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 2021 is $3,386,515 (2020: $3,738,484).

The aging of the trade and other receivables that were not impaired as at 31 December 2021 are set out in the following table.

	2021 AUD	2020 AUD
Neither past due nor impaired	428,799	260,128
0 to 180 days past due but not impaired	660,873	565,104
180 to 360 days past due but not impaired	593,227	263,241
Over 360 days past due but not impaired	-	83,072
	1,682,899	1,171,545

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.

Cash and cash equivalents

The Group held cash and cash equivalents of $5,744,957 at 31 December 2021. 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 AUD	6-12 months AUD	Between 1 and 2 years AUD	Total contractual cash flows AUD	Carrying amount AUD
At 31 December 2021					
Trade and other payables	-	-	21,598	21,598	21,598
Convertible notes payables	-	2,857,835		2,857,835	2,857,835
Payables to related parties	-	26,730	-	26,730	26,730
Other liabilities	345,982	-	-	345,982	345,982
	345,982	2,884,565	21,598	3,252,145	3,252,145

Note 24. Financial risk management (continued)

At 31 December 2020 restated*					
Trade and other payables	-	18,902	-	18,902	18,902
Convertible notes payables	-	2,488,649	-	2,488,649	2,488,649
Payables to related parties	-	327,436	-	327,436	327,436
Other liabilities	-	633,327	-	633,327	633,327
	-	3,468,314	-	3,468,314	3,468,314

* See Note 35.

(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: Share-based compensation benefits

	2021 AUD	2020 AUD
Share-based compensation benefits recognised during the financial year		
Outright shares granted to directors and employees *	-	2,390,000
Options issued to directors and employees (see ESOP note below)	1,362,735	-
	1,362,735	2,390,000

* Share-based compensation benefits in 2020 relates to the 2,390,000 shares granted to the directors and employees in the last financial year.

Employee share options plan (ESOP)

The Beroni Group Limited's ESOP was approved on 1 July 2021. The ESOP provides flexibility to the Board to grant options to Directors and Employees. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or director of the Company or any related body corporate of the Company.

The executive and non-executive directors received a proportion of their remuneration in the form of options for shares in the Company in the current financial year. In the last financial year, they were issued with outright shares.

Name	Number of options
Jacky Boqing Zhang	6,000,000
Peter Yap Ting Wong	3,000,000
Hai Huang	1,500,000
Libing Guo	950,000
Dr Zhinan Yin	600,000
Dr Richard Buchta	600,000
Nicholas Ong	600,000

According to the terms of the ESOP, the options vest and become capable of exercise in 5 tranches over a 3-year period as follows, as long as the participants have remained as an executive or non-executive director up until and including the vesting date:

Note 25: Share-based compensation benefits (continued)

Directors	Vesting condition	Exercise price	Exercise date
Tranche 1	Nasdaq listing	US$2	Within 3 months after vesting
Tranche 2	Annual revenue exceeds US$3 million	US$2	Within 3 months after vesting
Tranche 3	Annual revenue exceeds US$5 million	US$2.5	Within 3 months after vesting
Tranche 4	Annual revenue exceeds US$7 million	US$3	Within 3 months after vesting
Tranche 5	One clinical trial advances to next phase	US$2	Within 3 months after vesting

Participants must have remained as an executive or no-executive director up until and including the vesting date. Option holders are not entitled to assign, transfer, sell, encumber, hedge or otherwise deal with options, except in accordance with the ESOP Rules and the Securities Trading Policy.

For the directors, options that have vested expire after 90 days from vesting date. Unvested options expire on the earlier to occur of resignation, removal from office, death or permanent disablement, or three years after they were issued, unless the Board determines otherwise.

Each option that has vested may be exercised at any time from the vesting date to any time prior to the vesting expiry date by delivery to the company of a notice of exercise, accompanied by payment of the exercise price.

When vesting occurs, each option can be exercised to purchase one ordinary share in Beroni Group Limited at the exercise price set at grant date. Cashless exercise is also permitted.

Options granted carry no dividend or voting rights.

In addition, a total of 8,101,000 options were granted to 30 senior employees of the Company based on the same terms and conditions as those of the directors.

Details of options outstanding as part of the ESOP during the financial year are as follows:

Category	Grant date	Exercise price	Balance at beginning of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Directors	1 July 2021	US$2 to US$3	-	13,250,000	-	-	13,250,000	-
Employees	1 July 2021	US$2 to US$3	-	8,101,000	-	-	8,101,000	-

Fair value of options granted

The fair values of options granted during the year for both directors and staff are as follows:

Tranche 1	Fair value per option = US$0.3349 or A$0.4475
Tranche 3	Fair value per option = US$0.3349 or A$0.4475
Tranche 3	Fair value per option = US$0.2886
Tranche 4	Fair value per option = US$0.2528
Tranche 5	Fair value per option = US$0.3349 or A$0.4475

Note 25: Share-based compensation benefits (continued)

The fair value at grant date was determined by management using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 31 December 2021 were as follows:

- options are granted for no consideration, have a 3-year life and are exercisable in 5 tranches over the 3-year period
- grant date: 1 July 2021
- share price at grant date: A$1.25 or US$0.94
- exercise price: US$2 to US3 or A$2.67 to A$4.01
- expected volatility: 83.96%
- expected dividend yield: 0%
- risk free rate: 0.25%

Expected volatility was determined based on the average historic volatility of a group of similar sized listed biopharmaceutical companies, adjusted for any expected changes to future volatility based on publicly available information.

Note 26. 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 (resigned on 1 August 2021) Dr Richard Buchta (appointed on 1 July 2020)
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)

	2021 AUD	2020 AUD
Total KMP Compensation		
Short-term employee benefits	532,000	333,000
Post-employment benefits	-	-
Share-based payments	855,257	1,190,000
	1,387,257	1,523,000

Detailed remuneration disclosed are provided in the remuneration report on page 10.

Note 26. Related party transactions (continued)

Other transactions

In the year ended 31 December 2021, 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 $30,000 for such services rendered in the 2021 financial year.

c) Balances with related parties

	2021	2020
Amounts due to related parties	**AUD**	**AUD**
Mr. Boqing Zhang [1]	26,730	34,327
NewSouth Innovations [2]	-	293,109
Total amounts due to related parties	26,730	327,436

[1] This represents the loan 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 represents the amount of expenses paid on behalf of PENAO Pty Ltd by NewSouth Innovations Pty Ltd.

Note 27. Dividends

There was no dividend paid nor declared during the period.

Note 28. Share capital

	2021 Number of shares	2021 AUD	2020 Number of shares	2020 AUD
Ordinary shares fully paid				
At the beginning of the period	75,722,348	26,973,167	72,972,348	24,223,167
Conversion of convertible notes	746,024	3,642,835	-	-
Share placements	-	-	310,000	310,000
Shares issued to directors and employees	-	-	2,390,000	2,390,000
Shares issued to service providers	150,000	150,000	-	-
Shares issued to financial advisor	-	-	50,000	50,000
Total ordinary shares fully paid	76,618,372	30,766,002	75,722,348	26,973,167

Note 29. Convertible notes – Equity

	Consolidated 2021 AUD	Consolidated 2020 Restated * AUD
Balance at beginning of the period	1,172,835	-
Recognition of equity component on issue of convertible notes (see note below)	2,470,000 [1]	1,172,835 [2]
Recognition of conversion of convertible notes (see note below)	(3,642,835) [3]	-
Balance at end of the period	-	1,172,835

[1] In May 2020, 8,986 0% USD denominated convertible notes were issued by the Company to an investor 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.

[2] In May 2021, 20,000 0% USD denominated convertible notes were issued by the Company to the same investor 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$10 per share. Conversion may occur at any time between the date of issue and the maturity date.

[3] In December 2021, the investor holding a total of 28,986 convertible notes issued a conversion notice to the Company to convert all the convertible notes to shares which were completed on 20 December 2021.

Note 29. Convertible notes – Equity (continued)

The net proceeds raised from the issue of these convertible notes are as follows:

	2021 AUD	2020 Restated * AUD
Equity component of convertible notes	2,600,000	1,383,844
Transaction costs relating to equity component of convertible notes	(130,000)	(211,009)
Amount classified as equity	2,470,000	1,172,835

* See Note 35.

Note 30. Reserves

	Consolidated 2021 AUD	Consolidated 2020 AUD
Surplus reserve	16,885	16,885
Investment revaluation reserve	(2,431,515)	(1,128,508)
Foreign currency translation reserve	1,310,417	387,796
Total Reserves	**(1,104,213)**	**(723,827)**

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 FVTOCI AUD	Investments revaluation reserve AUD
Balance at 1 January 2021	1,303,007	1,128,508
Fair value loss on investment in Dendrix Inc.[1]	(1,303,007)	1,303,007
Balance at 31 December 2021	**-**	**2,431,515**

[1] Please see Note 19.

Note 31. Non-controlling interests

	Consolidated 2021 AUD	Consolidated 2020 AUD
Non-controlling interests	470,351	690,000

The non-controlling interest represents the other 40% ownership interest in PENAO Pty Ltd which was recognised upon acquisition of control of the company.

Note 32. 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.

Note 32. Parent entity (continued)

	2021	2020 Restated *
	AUD	AUD
Current assets	1,081,635	1,613,980
Non-current assets	12,805,257	12,063,174
Total assets	**13,886,892**	**13,677,154**
Current liabilities	2,966,718	2,594,926
Non-current liabilities	-	-
Total liabilities	**2,966,718**	**2,594,926**
Contributed equity	30,855,747	27,062,913
Convertible notes	-	1,172,835
Accumulated losses	(18,866,793)	(16,025,012)
Reserves	(1,068,780)	(1,128,508)
Total equity	**10,920,174**	**11,082,227**
Loss for the year	(2,841,782)	(7,452,597)
Other comprehensive loss for the year	(1,303,007)	(642,205)
Total comprehensive loss for the year	**(4,144,789)**	**(8,094,802)**

* See Note 35.

Note 33. 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		Principle Activities
		31.12.2021 %	31.12.2020 %	
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	100	Retail of diagnostic kits
Beroni USA Corporation	United States	100	100	Retail of diagnostic kits
Penao Pty Ltd	Australia	60	60	Anti-cancer drug development

Note 34. Reconciliation of Profit after income tax to Net Cash from operating activities

	2021	2020 Restated *
	AUD	AUD
Operating loss after tax	(2,882,951)	(9,862,767)
Depreciation & Amortisation	620,361	768,746
Fair value gain on revaluation of investment in associate	-	(240,185)
Shares issued to directors and senior managers	-	2,440,000
Shares issued to services provider	150,000	-
Unrealised foreign exchange loss	550,816	(263,079)
Share of loss of associate	-	80,185
Decrease in receivables	(1,019,106)	1,192,435
Decrease in prepayments	(346,515)	3,605,323
Decrease / (increase) in inventory	(203,358)	714,825
(Decrease) / increase in payables	2,696	(134,895)
Increase in other liabilities	1,126,958	351,550
Net cash flow from operating activities	(2,001,099)	(1,347,862)

Note 35. Correction of Prior Period Errors and Reclassification of Goodwill

During 2021, the Group discovered that convertible notes had been erroneously classified in equity instead of liabilities in the 2020 financial statements. As a consequence, the related liabilities and issuance expenses have been understated. Convertible notes amounting to $2,488,649 were incorrectly classified in equity instead of liability in the 2020 financial statements. These convertible notes have been reclassified as part of liability and the related issuance costs of $217,774 which were previously offset against equity were charged to the profit and loss.

In addition, as mentioned in Note 15, the accounting for the acquisition of PENAO was incomplete as of 31 December 2020. During 2021, the Group finalised its measurement period adjustments allowed under AASB 3. The net result of these adjustments was to transfer the recognised goodwill in full to other intangible assets. As such, the recognised goodwill was reclassified to intangible assets - patents in 2020.

Consolidated statement of financial position

	As previously reported	Adjustments	As restated
	AUD	AUD	AUD
Current assets	6,184,352		6,184,352
Non-current assets			
Goodwill	1,993,226	(1,993,226)	-
Other intangible assets	1,349,204	1,993,226	3,342,430
Property, plant and equipment	243,721		243,721
Right-of-use assets	452,417		452,417
Investment in other entities	1,303,007		1,303,007
Other assets	47,047		47,047
Total non-current Assets	5,388,622		5,388,622
Total Assets	**11,572,974**		**11,572,974**
Current liabilities			
Trade and other payables	18,902		18,902
Borrowings from related parties	327,436		327,436
Lease liabilities	209,652		209,652
Other current tax liabilities	35,089		35,089
Convertible notes – liability	-	2,488,649	2,488,649
Other liabilities	633,327		633,327
Total current liabilities	1,224,406		3,713,055
Non-current liabilities	288,724		288,724
Total Liabilities	**1,513,130**		**4,001,779**
Net Assets	**10,059,844**		**7,571,195**
Equity			
Issued capital	26,973,167		26,973,167
Convertible notes – equity	3,879,258	(2,706,423)	1,172,835
Reserves	(723,826)		(723,826)
Retained earnings	(20,758,755)	217,774	(20,540,981)
Equity attributable to equity holders of the parent entity	9,369,844		6,881,195
Non-controlling interests	690,000		690,000
Total Equity	**10,059,844**		**7,571,195**

Note 35. Correction of Prior Period Errors and Reclassification of Goodwill (continued)

Consolidated statement of profit or loss and other comprehensive income

	As previously reported	Adjustments	As restated
	AUD	**AUD**	**AUD**
Gross profit	713,317		713,317
Other income	138,986		138,986
	852,303		852,303
Selling and distribution expenses	(306,325)		(306,325)
General and administration expenses	(5,827,683)	217,774	(5,609,909)
Others	(4,801,470)		(4,801,470)
Loss before income tax	**(10,083,175)**		(9,865,401)
Income tax expense	(633)		(633)
Net loss for the year from continuing operations	**(10,083,808)**		(9,866,034)
Discontinued operations	3,267		3,267
Other comprehensive loss	(504,197)		(504,197)
Total comprehensive loss for the year	**(10,584,738)**		**(10,366,964)**
Total loss for the year attributable to:			
Owners of Beroni Group Limited	(9,980,179)		(9,762,405)
Non-controlling interest	(100,362)		(100,362)
Total loss for the year	**(10,080,541)**		**(9,862,767)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited	(10,484,376)		(10,266,602)
Non-controlling interest	(100,362)		(100,362)
Total comprehensive loss for the year	**(10,584,738)**		**(10,366,964)**

Earnings per share

	As previous reported	Adjustments	As restated
	AUD	**AUD**	**AUD**
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(9,980,179)	217,774	(9,762,405)
Earnings for the purpose of diluted earnings per share	(9,980,179)	217,774	(9,762,405)
Weighted average number of shares used in calculating basic earnings per share	74,526,337		74,526,337
Earnings per share	(13.39)		(13.10)
Diluted earnings per share	(13.39)		(13.10)

Note 36. Contingencies

The Group has no contingent liabilities or commitments as at 31 December 2021 except for the followings:

(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. In December 2020, Beroni and NSI agreed to vary the original shareholding agreement 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. Under the shareholding variation agreement, when new shares are issued to Beroni and NSI upon additional payments from the former, convertible notes will also be issued to NSI which will automatically be converted to shares upon the occurrence of key milestone events.

Note 36. Contingencies (continued)

Beroni has so far paid $2.35 million to NSI for this investment and will pay a further $7.5 million over the next 2 years. In the event Beroni is not able to pay the additional $7.5 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 the following 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 in February 2021. And subsequently in August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The retrial is still ongoing. The Chinese subsidiary will continue to file a strong defence. The directors are of the view that no material losses will arise in respect of the legal claim.

(c) In June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd ("Medicine Plus"), a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A$14.37 million) via a combination of cash and shares. In 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 $14.37 million agreed in June 2018 was increased by 10% to approximately $15.81 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. However, the cash portion of the settlement has yet to be completed and Beroni management still intends to raise cash from the capital markets to complete this acquisition. Due to the long delay in the settlement, the cost of the shares issued to the owners of Medicine Plus has been recognised as an expense in the income statement in the 2019 financial year. In the event that the acquisition can be completed, the shares expense will be reversed accordingly. Beroni has no other financial commitments in respect of this acquisition.

Note 37. Events after the Balance Sheet date

a) The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is still developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

b) In January 2022, Beroni signed a contract to build a new Research & Development ("R&D") centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni aspires to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant.

The new R&D centre -- the first R&D site for Beroni -- will help the Company develop new drugs and medicines to cater for the vast needs of the Chinese market. To start with, the Company will occupy about 4,000 square metres (44,000 square feet) of office space for setting up the GMP plant and laboratories. Construction of the new R&D facilities is expected to be completed towards the end of the second quarter, and the entire R&D centre is expected to be ready in the second half of this year. Beroni intends to commit US$10 million to support the clinical trials in the new R&D facility. A new company, Beroni Pharmaceutical (Guangdong) Co., Ltd, has been established for this new venture with Beroni owning 80% of the entity's shares and a local investor owning the other 20% shares. The Company will bring professional staff, scientists, technicians, and support teams together into a state-of-the-art hub for innovation and development of the company's future products and services.

c) On 31 January 2022, the Company raised US$0.5 million from the issue of convertible notes to an investor in China. The funds raised were used to fund the construction of the new R&D centre in China.

Note 37. Events after the Balance Sheet date (continued)

d) 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 2021 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 and Chief Executive Officer

30 March 2022

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

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 2021, 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 2021 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

As at 31 December 2021, the Group's Statement of Financial Position includes trade receivables of $1.29 million after impairment (gross balance $3.16 million and provision for ECL $1.87 million).

The trade receivables were assessed for impairment in the current year and based on assessment, an expected credit loss of $1.87 million was recorded.

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 value of trade receivables comprise a significant portion 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 28 February 2022 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

As at 31 December 2021, the Group's Statement of Financial Position includes investment in Dendrix Inc. at nil (prior year balance $1.3 million), which was recorded at fair value. The investment was subject to a revaluation decrement of $1.3 million in the current year.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of the fair value decrement to the Group's consolidated statement of profit and loss and other comprehensive income. • 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 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 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.

INTANGIBLE ASSET ACCOUNTING

As at 31 December 2021, the Group's Statement of Financial Position included other intangible assets relating to Penao of $1.99 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 inherent uncertainty associated with impairment analysis which is a requirement for intangible assets not yet ready for use A key audit matter is that intangible assets 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 classification of Penao related intangible assets ▸ We assessed the reasonability of management's impairment assessment ▸ We assessed the reasonability of management's disclosures in respect of intangible asset accounting

INVENTORY OBSOLESENCE

As at 31 December 2021, the Group's Statement of Financial Position included inventories of $0.3 million.

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. • The estimation uncertainty associated with accounting for inventory obsolescence provisions A key audit matter is that inventory assets are not correctly valued in the financials.	Our audit procedures included, amongst others: ► We performed net realisable value testing over inventory on a sample basis ► We performed substantive analytical procedures ► We assessed the quantum of slow moving inventories and developed an independent auditors point estimate for an inventory obsolescence provision

PRIOR PERIOD ERROR

As at 31 December 2021, the Group's Financial Statements included the correction of a prior period error relating to convertible notes of $2.5 million.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of restatement amount to the Group's Financial Statements • The accounting complexity associated with the relevant calculations and disclosure requirements A key audit matter is that prior period errors are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ► We obtained supporting documentation to corroborate management's calculations ► We performed management's calculations to verify the accuracy of its calculations ► We assessed the compliance of managements disclosures in the financial statements in accordance with the requirements of Australian Accounting Standards

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 2021, 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 13 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Beroni Group Limited, for the year ended 31 December 2021, 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: 30 March 2022

UHY Haines Norton

Chartered Accountants