Restatement and Reissuance of 2022 Annual Report

NEW YORK and SYDNEY, Australia, 17 August 2023 - Beroni Group (OTCQX: BNIGF; NSX: BTG) ("Beroni" or the "Company"), advises that due to the incorrect disclosure of the Company's principal place of business in Note 1 to the financial statements, the 31 December 2022 Annual Report ("Annual Report") previously published on 31 March 2023 have been restated and reissued to reflect the correction of this error. The correct address of the Company's principal place of business is Level 16, 175 Pitt Street, Sydney NSW 2000, Australia.

Due to the disclosure error, the previously issued Annual Report and the related auditor's report can no longer be relied upon.

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About Beroni Group Limited

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. To learn more about Beroni, please visit www.beronigroup.com.

Forward-Looking Statements Disclaimer

This press release contains forward-looking statements or forward-looking information, within the meaning of applicable United States and Australian securities laws with respect to the Company. By their nature, forward-looking statements are subject to a variety of factors that could cause actual results to differ materially from the results suggested by the forward-looking statements. Accordingly, readers should not place undue reliance on the forward-looking statements. Generally forward-looking statements can be identified by the use of terminology such as "anticipate", "will", "expect", "may", "continue", "could", "estimate", "forecast", "plan", "intend", "believe", "potential" and similar expressions.

Forward-looking information contained in this press release is based on Company management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management currently believes are appropriate and reasonable in the circumstances. Forward-looking statements involve significant risks, uncertainties and assumptions, and there can be no assurance that such statements, or its underlying risks, uncertainties and assumptions will prove to be accurate. Factors that could cause actual results or events to differ materially include, without limitation, risks related to laws, rules and regulation applicable to the Company as well as the industry in which it operates (including in respect of taxes and other levies), economic or market conditions on both a national and global level, currency fluctuations, risks inherent to other entities at a similar stage of development and industry in which the Company currently is, competition from the Company's competitors, unsatisfactory development or marketing of the Company and/or its products or services, regulatory action or litigation (including product liability claims), and failure to enter into agreements or arrangements with other parties on fair or reasonable terms. Forward-looking information is made only as of the date on which it is provided and, except as may be required by applicable laws, the Company disclaims any intent or obligation to update such forward-looking information whether as a result of new information, future events or otherwise.

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BERONI GROUP

2022 Annual Report

Beroni Group Limited

ACN: 613 077 526

NSX Code: BTG

OTCQX Code: BNIGF

ABOUT BERONI GROUP

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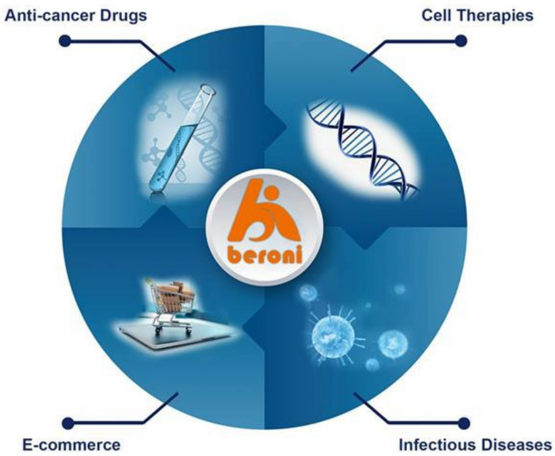
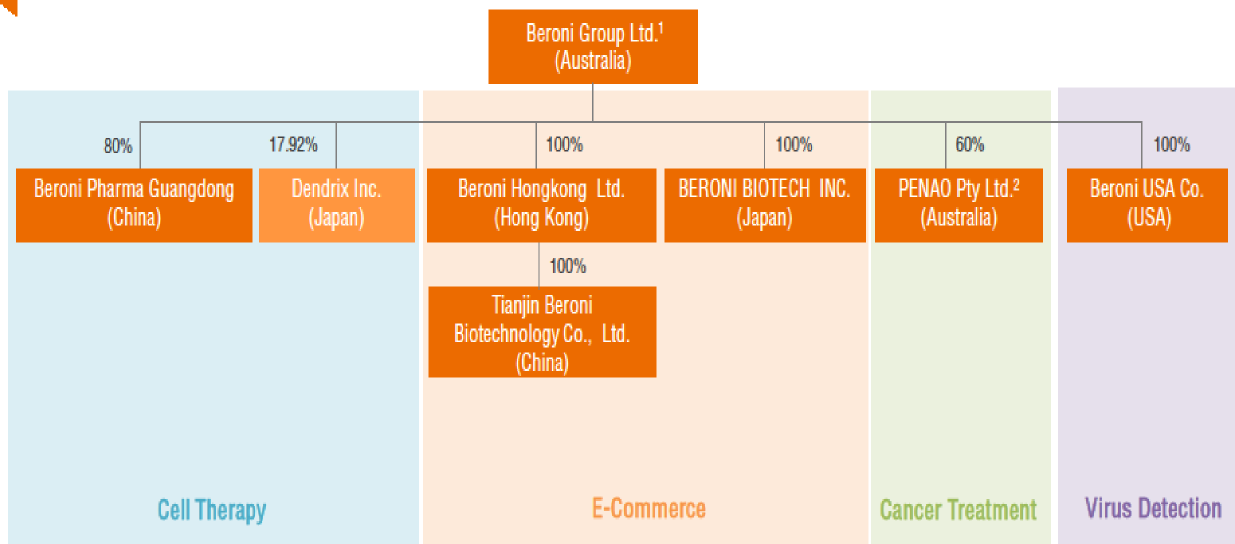


Corporate Structure



Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

Consolidated Financial Statements

For the Year Ended 31 December 2022

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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 2022 Annual Report.

As the COVID-19 pandemic continued into its third year in 2022, it will be remembered as a year of repeated lockdowns, daily testing and closed borders in China as the country battled to suppress the virus. These measures have battered China's economy, disrupting global supply chains and threatening world growth. Many China businesses were affected as a result and Beroni is no exception. We have seen a significant decline in our China business under such restrictive and challenging environment.

On the positive front, I am pleased to inform that Beroni is making progress towards its listing on the Nasdaq Stock Exchange. We hope to be listed in the second or third quarter of 2023. 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 $0.86 million (FY2021 $2.20 million), and underlying EBITDA of -$7.78 million (FY2021: -$2.19 million) and NPAT -$8.28 million (FY2021: -$2.88 million). Due to frequent lockdowns in China, this year's sales have declined by 61% over the previous year's sales. The lockdowns have not only disrupted supply chains but also forced many factories to shut down. In 2022, China saw one of its slowest years of economic growth in decades and consumer spending was at an all-time low.

Despite the challenges we faced in 2022, we will continue to look for new ways to promote and expand our sales by launching more new products and setting up new e-commerce channels. We will also look at expanding our sales to other markets and broadening our customer base.

Excluding the share-based compensation payments, expenses have remained relatively flat in 2022. Going forward, we will look at ways to streamline our operational costs to improve overall efficiency.

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 after our listing on Nasdaq. We also intend to commence the clinical trials for several new innovative cell therapies in China and Japan such as gamma-delta T cell and dendritic cell vaccine.

We have completed the construction of our R&D centre in Zhuhai China which will be used to conduct some of our planned clinical trials. We will bring in 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

Our vision has not changed and our aim has always been 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. As mentioned in my previous year's report, we have been pursuing 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.

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 2023. 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
17 August 2023

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 2022 to 31 December 2022.

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, CFO)

Libing GUO (Non-executive Director)

Dr Zhinan YIN (Non-executive Director, resigned 22 March 2023)

Dr Richard BUCHTA (Non-executive Director)

Nicholas ONG (Non-executive Director)

Dr John CHIPLIN (Non-executive Director, appointed 1 April 2022)

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, a MSC in International Management from the University of Sussex and an EMBA from 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. Dr Yin subsequently resigned from the board on 22 March 2023.

(f) 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.

Directors' Report (continued)

(g) 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.

(h) Dr John Chiplin

Dr John Chiplin, PhD is the Managing Director of Newstar Ventures Ltd. and Chairman of the Board of Biotherapy Services, N4 Pharma plc (LSE: N4P) and Scancell Holdings plc. (LSE: SCLP). Dr. Chiplin has significant operational, investment and international experience in the life science and technology industries. From 2014 to 2016, he served as executive director of Benitec Biopharma Inc. and helped executed the company's US IPO. From 2012 to 2014, he was President and Chief Executive Officer of Polynoma, a Phase III cancer vaccine company, and from 2006 to 2009 he was Chief Executive Officer of Arana Therapeutics. Prior to this, Dr. Chiplin was head of the ITI Life Sciences investment fund in the UK, where he managed significant negotiations regarding funding with Government Ministers. He had been influential in various other transactions including Intrexon's acquisition of Medistem, Cephalon's acquisition of Arana Therapeutics, and GlaxoSmithKline's acquisition of Domantis. He also serves on several boards including Kings Arms Yard VCT plc and US private company Batu Biologics. Dr. Chiplin received his bachelor and doctorate degrees in Pharmaceutical Science from The University of Nottingham, U.K.

Dr Chiplin is based in San Diego, California and London, UK. He is a member of the Nomination & Remuneration Committee.

Directors' meetings

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

* Resigned on 22 March 2023
** Appointed on 1 April 2022

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 2022 ("FY2022") and 31 December 2021 ("FY2021"):

Directors' Report (continued)

	FY2022	FY2021	Change %
Sales revenue	862,107	2,196,766	-60.8%
Cost of sales	(310,921)	(400,309)	-22.3%
Gross profit	**551,186**	**1,796,457**	-69.3%
Other income	298,528	463,358	-35.6%
Selling and distribution expenses	(478,614)	(359,495)	33.1%
General and administrative expenses	(8,307,486)	(5,094,734)	63.1%
Impairment losses reversal / (losses) on trade and other receivables	(158,979)	507,753	-131%
Impairment losses on prepayments	(58,525)	-	-
Finance expense	(64,014)	(39,783)	60.9%
Finance income	12,595	7,255	73.6%
Share of profit / (loss) of associate	-	-	
Unrealised foreign exchange loss	(166,548)	(166,302)	0.1%
Realised foreign exchange gain / (loss)	89,328	45,360	96.9%
Fair value gain on revaluation of investment in associate	-	-	-
Loss before income tax	**(8,282,529)**	**(2,840,131)**	**191.6%**
Income tax	(769)	(42,820)	*
Loss for the year	**(8,283,298)**	**(2,882,951)**	187.3%
Depreciation	449,576	620,361	-27.5%
Finance expense	64,014	39,783	*
Finance income	(12,595)	(7,255)	*
EBITDA **	**(7,781,534)**	**(2,187,242)**	
NPAT	**(8,283,298)**	**(2,882,951)**	

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

(A) Revenue

Sales revenue has decreased by 60.8% from $2,196,766 in 2021 to $862,107 in 2022 due to the frequent COVID-19 lockdowns in many parts of China. The lockdowns have disrupted supply chains and forced factories to halt operations. Although China experienced a sharp slowdown in economic growth in 2022, its economy has started to recover in 2023 as the zero-COVID policy was abandoned in December 2022 and its borders re-opened in January 2023.

Nevertheless, the Company will continue to promote new products and open new e-commerce channels to increase its sales.

(B) Gross Profit

The overall gross profit margin has deteriorated from 82% to 64% in this period due to the drop in sales of the heath supplements and cosmetic products which are highly profitable with gross margins exceeding 80%. The past average margin is around 75%.

(C) Other Income

The other income represents the $298,528 R&D tax rebate received or receivable from the Australian government to support the PENAO drug research in Australia. This year's R&D tax rebate was lower than the $463,358 received in 2021 due to the higher operating expenses in the previous year.

Directors' Report (continued)

(D) Expenses

The increase in general and administrative expenses is mainly due to the following changes in share-based compensation expense and expected credit losses:

- In July 2021, the Company issued share options to directors and employees instead of shares as in the preceding years. The cost of the share options in 2021 which amounted to $1,362,735 represented the cost for the second half of 2021 whereas that in 2022 represented the full year cost. Moreover, the Company varied the milestone parameters of the share options in May 2022 and extended the vesting period by another year. This resulted in an increase in the estimated cost of the revised share options. A total amount of $4,725,658 was reflected in this financial year.

- An additional allowance of $217,504 for expected credit losses on trade receivables and prepayments was made in 2022 whereas in 2021, there was a reversal of $507,753 of impairment losses. The increase in expected credit losses is due to the deterioration in the recovery of the long outstanding debts as a result of the economy downturn in China caused by the frequent lockdowns.

Dividends

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

Significant Changes in State of Affairs

1. New R&D centre

   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. Construction of the new R&D facilities was completed in the second half of the year, and the entire R&D centre is now ready for business. Beroni intends to commit US$10 million to support the clinical trials in the new R&D facility. 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.

2. Acquisition of new subsidiary

   A new company, Beroni Pharmaceutical (Guangdong) Co., Ltd, has been established for running the new R&D centre with Beroni owning 80% of the entity's shares and a local investor owning the other 20% shares.

3. Issue of New Convertible Notes

   In January 2022, the Group raised net proceeds of $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. Public Filing of Application for Listing on Nasdaq

   The Company has publicly submitted its IPO registration statement to the US SEC in late 2021.The IPO application is currently awaiting approval by Nasdaq while the registration statement has yet to be declared effective by the SEC. The Company hopes to be listed in the third or last quarter of 2023.

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.

Directors' Report (continued)

Matters subsequent to the end of the financial year

1. China ended its zero-COVID policy in December 2022 and opened its travel borders in January 2023. Whether China can effectively contain the coronavirus outbreak or face a major public health threat after the abrupt ending of its zero-COVID policy remains uncertain. It is not practicable to estimate the potential impact, positive or negative, to the Chinese economy. The situation is still developing and there are signs that things are gradually going back to normal and the economy is recovering from its doldrums.

2. The 5,000 convertible notes issued to the Chinese investor on 28 January 2022 matured on 28 January 2023. Upon maturity, the Company must convert all convertible notes which are not yet converted to shares. However, the investor agreed to extend the maturity date of the convertible notes to the official date of listing of the Company on the Nasdaq stock market.

3. In April 2023, the Company entered into unsecured and interest-free convertible loan agreements with two investors for an aggregate principal loan amount of $291,545. The loans are convertible at US$1.50 per share upon listing of the Company's shares on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loans are repayable on 18 April 2024 unless converted earlier. However letters have been obtained from the noteholders to extend these to 18 October 2024, if the Nasdaq listing is further delayed.

4. On 30 June 2023, the Company issued 3,305,000 new shares to its directors and senior employees.as a reward for their performance in the past financial year. In addition, another 110,000 shares were issued on 10 July 2023 to the Crone Law Group, PC as part payment of legal fees for assisting with the preparation, lodgement and amendment of the F-1 registration statement.

5. On 11 July 2023, the Company entered into an unsecured interest-free convertible loan agreement with another investor for a principal loan amount of US$27,778. The loan is convertible at US$2.00 per share upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchanger prior to the repayment date. The loan is repayable on 11 January 2025 unless converted earlier.

6. 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 2022.

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.

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

Directors' Report (continued)

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 Remuneration Plan. Details of the share options are outlined in Note 24 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	22 March 2023	Guangzhou, China
Libing Guo	Non-executive Director	3 November 2016	-	Tianjin, China
Dr Richard Buchta	Non-executive Director	1 July 2020	-	Melbourne, Australia
Dr John Chiplin	Non-executive Director	1 April 2022		London, England
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	Superannuation	Options	Total $	Performance-related
Jacky Boqing Zhang	2022	180,000	-	-	-	3,854	1,295,855	1,479,709	87.57%
	2021	180,000	-	-	-	-	389,513	569,513	68.39%
Hai Huang	2022	80,000	-	-	-	-	323,964	403,964	80.20%
	2021	80,000	-	-	-	-	97,378	177,378	54.90%
Peter Yap Ting Wong	2022	120,000	-	-	-	-	647,927	767,927	84.37%
	2021	120,000	-	-	-	-	194,756	314,756	61.88%
Libing Guo	2022	40,000	-	-	-	-	203,959	243,959	83.60%
	2021	40,000	-	-	-	-	61,770	101,770	60.70%
Dr Zhinan Yin	2022	40,000	-	-	-	-	121,002	161,002	75.16%
	2021	40,000	-	-	-	-	37,280	77,280	48.24%
Dr Richard Buchta	2022	36,000	-	-	-	-	121,002	157,002	77.07%
	2021	36,000	-	-	-	-	37,280	73,280	50.87%
John Chiplin [1]	2022	38,565	-	-	-	-	-	38,565	0%
	2021	-	-	-	-	-	-	-	-
Nicholas Ong 2	2022	36,000	-	-	-	-	121,002	157,002	77.07%
	2021	30,000	-	-	-	-	37,280	67,280	50.87%

[1] Appointed on 1 April 2022 with annual base salary of US$36,000.

[2] 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 2022	Acquired	Granted as Remuneration	Fair Value of Grant [2] $	Disposed	Options Vested & Exercisable at 31 December 2021	Balance 31 December 2022
Jacky Boqing Zhang	Shares	25,038,482	-	-		-	-	25,038,482
	Options	6,000,000	-	-	1,295,855	-	-	6,000,000
Hai Huang	Shares	2,041,766	-	-	-	-	-	2,041,766
	Options	1,500,000	-	-	323,964	-	-	1,500,000
Peter Yap Ting Wong	Shares	520,000	-	-	-	-	-	520,000
	Options	3,000,000	-	-	647,927	-	-	3,000,000
Libing Guo	Shares	4,252,238	-	-	-	-	-	4,252,238
	Options	950,000	-	-	203,959	-	-	950,000
Dr ZhinanYin	Shares	100,000	-	-	-	-	-	100,000
	Options	600,000	-	-	121,002	-	-	600,000
Dr Richard Buchta	Shares	-	-	-	-	-	-	-
	Options	600,000	-	-	121,002	-	-	600,000
Dr John Chiplin	Shares	-	-	-	-	-	-	-
	Options	-	-	-	-	-	-	-
Nicholas Ong	Shares	64,854[1]	-	-	-	-	-	64,854
	Options	600,000	-	-	121,002	-	-	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 which was further extended by another year in May 2022. For details on the valuation methodology used, for options and the assumptions made refer to Note 24.

Directors' Report (continued)

Employee share options

Beroni Group Limited has established a Remuneration Plan for its directors and employees. The Remuneration Plan 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.

Set out below is a summary of the terms and conditions of the share options issued to the Directors in July 2021:

<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 Share Options Rules and the Securities Trading Policy.</td></tr>
</table>

Directors' Report (continued)

The original terms of the share options issued in 2021 were amended and approved at a shareholders meeting held on 31 May 2022. In addition to extending the vesting periods by another year to 30 June 2025, the following changes were made:

Tranche	New vesting condition	Previous vesting condition	New exercise price	Previous exercise price
Tranche 1	Nasdaq listing	Nasdaq listing	US$1.25	US$2
Tranche 2	Annual revenue exceeds US$2 million	Annual revenue exceeds US$3 million	US$1.25	US$2
Tranche 3	Annual revenue exceeds US$3 million	Annual revenue exceeds US$5 million	US$1.75	US$2.5
Tranche 4	Annual revenue exceeds US$4 million	Annual revenue exceeds US$7 million	US$2.25	US$3
Tranche 5	One clinical trial advances to next phase	One clinical trial advances to next phase	US$1.50	US$2

End of Remuneration Report

5 Year Summary of Financial Performance

		2022	2021	2020 Restated*	2019	2018
Gross Revenue	$'000	862	2,197	1,794	1,697	2,164
Profit / (loss) attributable to shareholders	$'000	(8,331)	(3,044)	(10,267)	(8,276)	(2,147)
Total assets	$'000	10,382	11,909	11,573	14,826	18,633
Total liabilities	$'000	2,799	3,602	4,002	1,700	389
Shareholders' funds	$'000	7,583	8,306	7,571	13,127	18,245
Earnings per share	Cents	(10.57)	(3.51)	(13.10)	(11.08)	(3.82)
Dividends per share	Cents	-	-	-	-	-
Net tangible assets per share	Cents	5.73	6.60	5.58	16.05	24.12
Price Earnings ratio	X	-	-	-	-	-

* The Group has restated the 2020 information to rectify an error relating to 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.

Directors' Report (continued)

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
17 August 2023

Other Shareholder Information

Distribution of shareholders

As at 31 December 2022, the Company had 227 shareholders and a total of 76,638,372 fully paid ordinary shares on issue. As at 31 December 2022, 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	18	61,669	0.09
5,001 – 10,000	26	173,519	0.23
10,001 – 100,000	121	3,835,356	4.92
100,001 and over	58	72,565,156	94.76
Total	**227**	**76,638,372**	**100.00**

Substantial Shareholders

Substantial shareholders as at 31 December 2022 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Jacky Boqing Zhang	25,038,482	32.67%
Kai, Shen	12,523,620	16.34%
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	32.67
2	Mr Kai Shen	12,523,620	16.34
3	Mr Libing Guo	4,252,238	5.55
4	Ms Shuang Ma	3,244,826	4.23
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	1.30
13	USA register control a/c	914,100	1.19
14	Mr Xiangxin Li	857,065	1.12
15	Mr Hanlin Zhang	777,375	1.01
16	Yukio Hatoyama	746,024	0.97
17	BNP Paribas nominees Pty Ltd ACF Clearstream	624,006	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	**63,723,169**	**83.15**
	Remaining holders balance	**12,915,203**	**16.85**
	Total	76,638,372	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

PENAO

Suite 506, Level 5
50 Clarence Street
Sydney NSW 2000
Australia

Beroni Pharmaceuticals (Guangdong) Co., Ltd

1001-7, No. 46 Zhigu Street
Tangjiawan Town, High-tech Zone
Zhuhai
China

Auditor

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

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

Directors

Jacky Boqing Zhang
Peter Yap Ting Wong
Hai Huang
Libing Guo
Dr Zhinan Yin (resigned 22 March 2023)
Dr Richard Buchta
Nicholas Ong
Dr John Chiplin

Company Secretary

Nicholas Ong

UHY Haines Norton
Chartered Accountants

Level 9 | 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 2022, 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: 17 August 2023

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2022 AUD	Consolidated Year Ended 31.12.2021 AUD
Sales revenue	6	862,107	2,196,766
Cost of sales		(310,921)	(400,309)
Gross profit		551,186	1,796,457
Other income			
Government subsidy	7	298,528	463,358
Selling and distribution expenses	8	(478,614)	(359,495)
General and administration expenses	8	(8,307,486)	(5,094,734)
Impairment loss reversals / (losses) on trade and other receivables	8,10	(158,979)	507,753
Impairment losses on prepayments	11	(58,525)	-
Finance expense		(64,014)	(39,783)
Finance income		12,595	7,255
Unrealised foreign exchange loss		(166,548)	(166,302)
Realised foreign exchange gain / (loss)		89,328	45,360
Loss before income tax		**(8,282,529)**	**(2,840,131)**
Income tax expense	19	(769)	(42,820)
Net loss for the year		**(8,283,298)**	**(2,882,951)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain / (loss)		(230,682)	938,977
Items that will not be reclassified subsequently to profit or loss			
Fair value impairment in investment in Dendrix Inc	18	-	(1,303,007)
Total comprehensive loss for the year		**(8,513,980)**	**(3,246,981)**
Loss for the year is attributable to:			
Owners of Beroni Group Limited		(8,100,743)	(2,663,302)
Non-controlling interest		(182,555)	(219,649)
Total loss for the year		**(8,283,298)**	**(2,882,951)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited		(8,331,250)	(3,027,332)
Non-controlling interest		(182,730)	(219,649)
Total comprehensive loss for the year		**(8,513,980)**	**(3,246,981)**
Earnings per share			**Cents**
Basic loss per share	21	(10.57)	(3.51)
Diluted loss per share	21	(10.57)	(3.51)

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 31.12.2022 AUD	Consolidated As at 31.12.2021 AUD
Current Assets			
Cash and cash equivalents	9	2,577,606	5,744,957
Trade receivables	10	1,399,048	1,291,086
Other receivables	10	373,867	391,813
Prepayments and other current assets	11	600,089	477,844
Inventories	12	293,720	316,072
Total current assets		5,244,330	8,221,772
Non-Current Assets			
Intangible assets	13,14	3,189,503	3,252,777
Property, plant and equipment	15	1,203,250	164,849
Right-of-use assets	16	694,466	218,821
Investment in other entities	18	-	-
Other assets		50,197	51,165
Total non-current assets		5,137,416	3,687,612
Total Assets		**10,381,746**	**11,909,384**
Current Liabilities			
Trade and other payables	20	587,962	21,598
Borrowings from related parties		-	26,730
Lease liabilities	16	262,596	229,373
Other current tax liabilities		(42,582)	86,657
Convertible notes payable	20	725,795	2,857,835
Other liabilities	20	750,111	345,982
Total current liabilities		2,283,882	3,568,175
Non-Current Liabilities			
Lease liabilities	16	515,239	34,260
Total non-current liabilities		515,239	34,260
Total Liabilities		**2,799,121**	**3,602,435**
Net Assets		**7,582,625**	**8,306,949**
Equity			
Issued capital	27	30,786,001	30,766,002
Convertible notes – equity	28	3,010,038	-
Reserves	29	4,770,029	274,879
Accumulated losses		(31,305,026)	(23,204,283)
Equity attributable to equity holders of the parent entity		**7,261,042**	**7,836,598**
Non-controlling interests	30	321,583	470,351
Total Equity		**7,582,625**	**8,306,949**

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**	**Accumulated losses**	**Non-controlling interests**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Consolidated 2022									
Balance at 1 January 2022	30,766,002	16,885	(2,431,515)	1,362,735	-	1,326,774	(23,204,283)	470,351	8,306,949
Comprehensive income/(loss) for the year:									
Net loss for the period	-	-	-		-	-	(8,100,743)	(182,555)	(8,283,298)
Other comprehensive gain / (loss) for the year	-	-	-		-	(230,507)	-	(175)	(230,682)
Total comprehensive loss for the year	**-**	**-**	**-**		**-**	**(230,507)**	**(8,100,743)**	**(182,730)**	**(8,513,980)**
Capital contribution from share placements	-	-	-	-	-	-	-	-	-
Ordinary shares issued to directors and employees	20,000	-	-	-	-	-	-	-	20,000
Shares-based payments	-	-	-	4,725,658	-	-	-	-	4,725,658
Acquisition of subsidiary	-	-	-	-	-	-	-	33,962	33,962
Elimination of disposal of subsidiary									-
Reclassification of convertible note	-	-	-	-	3,010,038	-	-	-	3,010,038
Balance at 31 December 2022	**30,786,001**	**16,885**	**(2,431,515)**	**6,088,393**	**3,010,038**	**1,096,266**	**(31,305,026)**	**321,583**	**7,582,625**

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**	**Accumulated losses**	**Non-controlling interests**	**Total**
Consolidated 2021	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
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)**	**-**	**-**	**938,977**	**(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**

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 31.12.2022 AUD	Consolidated Year Ended 31.12.2021 AUD
Cash flows from operating activities:			
Receipts from customers		625,073	2,683,208
Receipts from government		375,820	249,854
Payments to suppliers and employees		(3,469,860)	(4,033,593)
Interest paid		(31,637)	(33,011)
Taxes paid		(178,274)	(217,557)
Net cash used in operating activities	33	(2,678,878)	(1,351,099)
Cash flows from financing activities:			
Net proceeds from issue of convertible notes		685,168	2,345,662
(Repayment of) / gross proceeds from borrowings		(15,246)	(6,995)
Principal component of lease payments		(228,404)	(217,545)
Net cash generated from financing activities		(441,518)	2,121,122
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		-	2,465
Purchase of property, plant and equipment		(857,828)	(5,650)
Interest received		4,780	292
Payments for intangible assets		(8,676)	(12,345)
Net cash used in investing activities		(861,724)	(15,238)
Net increase / (decrease) in cash and cash equivalents		(3,099,084)	754,785
Cash and cash equivalents at beginning of the period		5,744,957	4,768,763
Exchange (loss) / gain on cash and cash equivalents		(68,267)	221,410
Cash and cash equivalents at end of the period	9	2,577,606	5,744,957

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 2022. 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 principal place of business is:

Level 16
175 Pitt Street
Sydney NSW 2000
Australia

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 17 August 2023.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2022 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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

Going Concern

For the year ended 31 December 2022, the Group made a loss after income tax expense of A$8,283,298 (31 December 2021: loss after income tax expense of A$2,882,951). The cash balances as at 31 December 2022 was A$2,577,606 (31 December 2021: A $5,744,957). The convertible loan agreements entered into in April 2023, totaling approximately US$291,545 are to be repaid on 18 April 2024, however letters have been obtained from the noteholders to extend these to 18 October 2024, if the Nasdaq listing is further delayed.

The above matters give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

Note 2. Basis of preparation (continued)

The directors have prepared detailed cash flow projections for the period of 12 months from the signing of this financial report. The Group's ability to fund its operations is dependent upon management's plans and execution, which includes raising additional capital, either through the proposed public offering or private equity, meeting expected sales forecasts, and that if in the event of not raising sufficient funds to meet its current cash flow forecasts, the Group will be able to reduce expenditure accordingly to be able to pay its debts as and when they fall due.

In June 2023, Jacky Boqing Zhang provided another loan of AUD100,000 to Beroni Group Limited for working capital needs.

The Group's financial statements have been prepared on a going concern basis which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Beroni Group Limited and its subsidiaries as at 31 December 2022 and 2021.

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.

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.

2.2 Foreign currency translation (continued)

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 or loss 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.

(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 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.

2.3 Critical accounting judgements and estimates (continued)

(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.

(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.

(k) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted or modified. The fair value is determined by using the Black-Scholes model and takes into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.4 New, revised or amended Accounting Standards and Interpretations adopted (continued)

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, however management will continue to assess the potential impacts closer to the application dates.

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.

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.

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.

Technical advisory service

The Company provides technical advisory services to other healthcare companies. The services are recognised as a performance obligation satisfied over time and the revenue from providing services is recognised in the accounting period in which the services are rendered. The directors have assessed that the stage of completion determined as the proportion of the total time expected to provide the service that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations. If the services involve performance by another party, then it is accounted for as a separate performance obligation. Payment for these services is not due from the customer until the services are completed by the other party and delivered to the customer.

Discounts, promotional and other rebates

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

3.3 Revenue recognition (continued)

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 local government authorities based on various entitlements the Group is eligible to. Applications for various government subsidies are raised, checked, and approved on an annual basis.

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

3.5 Cash and cash equivalents

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

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

3.6 Trade and other receivables

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

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

The Group 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 10.

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	5-10 years

3.9 Right-of-use assets

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

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

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

3.10 Lease liabilities

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

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.

3.11 Intangibles (continued)

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.

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. 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 Remuneration Plan. The fair value of share options granted under the 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.

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

Financial liabilities

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

3.21 Fair value

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

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

3.22 Issued capital

Ordinary shares are classified as equity.

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

3.23 Convertible notes

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

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

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

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

3.24 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

3.25 Equity instruments

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

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

Note 4. Group restructure

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

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

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

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

Note 4. Group restructure (continued)

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

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

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

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

In November 2021, Beroni established a new company, Beroni Pharmaceutical (Guangdong) Co., Ltd for its new R&D centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni owns 80% of the Chinese company with the other 20% owned by a local investor.

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
- Technical advisory service

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 Revenue		**Segment Gross Profit**	
Segment	**2022 AUD**	**2021 AUD**	**2022 AUD**	**2021 AUD**
Nicobloc	265,610	151,039	96,130	65,928
Olansi water filter	-	1,869	-	910
Health supplements	96,217	459,623	62,240	381,103
Cosmetic products	30,541	382,998	18,441	336,328
COVID-19 test kit	46,234	954,628	14,969	849,907
Technical advisory service	203,408	-	88,192	-
All other	220,097	246,608	271,214	162,281
Total for all segments	862,107	2,196,766	551,186	1,796,457
Other income			298,529	463,358
Unallocated selling and distribution expenses			(478,614)	(359,495)
Central general and administrative expenses			(8,602,211)	(4,707,923)
Net finance costs			(51,419)	(32,528)
Loss before income tax			(8,282,529)	(2,840,131)

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2021: 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	
	2022 AUD	**2021 AUD**
China	862,107	2,196,766
	862,107	2,196,766

Major customers

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

	2022 AUD	**2021 AUD**
China Business Belloni (Tianjin) Technology Co., Ltd	572,290	967,351
Clayton Dynamics Co. Ltd.	-	954,266
Zhongxin Keju Biotechnology Co. Ltd	203,408	-
	775,698	1,921,617

Note 6. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time:

Revenue by timing of revenue	**Consolidated 2022 AUD**	**Consolidated 2021 AUD**
Goods transferred at a point in time	658,699	2,196,766
Services transferred over time	203,408	
	862,107	2,196,766

Note 7. Government subsidy

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Government subsidy	298,528	463,358

The government subsidy in 2022 mainly represents the $290,741 R&D tax rebate received or receivable from the Australian government to support the PENAO drug research in Australia.

Note 8. Expenses

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

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Wages and salaries	1,032,819	724,356
Rent expenses	112,484	26,754
R&D expenses	633,581	554,621
Legal fees	86,680	96,605
Listing expenses	154,032	516,120
Depreciation and amortisation	449,576	620,361
Share-based compensation benefits [1]	4,725,658	1,362,735
Expected credit losses / (reversals) on trade and other receivables [2]	158,979	(507,753)
Expected credit losses on prepayments [3]	58,525	-
All other expenses	1,591,270	1,552,677
	9,003,604	4,946,476

[1] Share-based compensation benefits in 2022 and 2021 are the allocated cost of the stock options granted to directors and employees in July 2021 and modified in May 2022.
[2] See Note 10.
[3] See Note 11.

Note 9. Cash and cash equivalents

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Cash on hand	793	646
Cash at bank	2,576,813	5,744,311
Total cash and cash equivalents	2,577,606	5,744,957

Note 10. Trade and other receivables

	Consolidated 2022 AUD	Consolidated 2021 AUD
Amounts due from customers	3,401,794	3,164,760
Less: Provision for expected credit losses [1]	(2,002,746)	(1,873,674)
Trade receivables	1,399,048	1,291,086
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	657,472	679,786
Less: Provision for expected credit loss	(283,605)	(287,973)
Other receivables	373,867	391,813

[1] Being increase in expected credit losses based on trade receivables aging at 31 December 2022.

[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 2022 AUD	Consolidated 2021 AUD
At 1 January	3,386,515	3,738,484
(Decease) / Increase in provision for expected credit losses	158,979	(507,753)
Exchange differences	(34,275)	155,784
At 31 December	3,511,219	3,386,515

The detailed aging analysis of trade and receivables is provided in Note 23.

Note 11. Prepayments and other current assets

	Consolidated 2022 AUD	Consolidated 2021 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	658,614	477,844
Provision for expected credit losses	(58,525)	-
	600,089	477,844

[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 12. Inventories

	Consolidated 2022 AUD	Consolidated 2021 AUD
Raw materials	2,714	4,102
Finished goods	291,006	311,970
Total Inventories	293,720	316,072

Note 13. Intangible assets

	Consolidated 2022 AUD	Consolidated 2021 AUD
PENAO patents (see Note 14)	1,993,226	1,993,226
Capitalised development cost [1]	1,084,232	1,148,602
Other patents [2]	111,683	110,581
Software	361	368
	3,189,503	3,252,777

[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 14. Intangible asset - PENAO patents

	Consolidated 2022 AUD	Consolidated 2021 AUD
PENAO patents	1,993,226	1,993,226

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 18). The Group engaged an independent business valuation expert, Leadenhall, to determine the fair value of the PENAO patents in 2021.

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 14. 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 2023 to 2027, 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 2023. 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.

In 2022, the Group conducted its own review of the valuation of the PENAO patents and although the phase two clinical trials have been delayed, the directors considered that the key assumptions used to determine the fair value of the patents remained intact. As the estimated recoverable amount still exceeds its carrying amount, no impairment is required.

Note 15. Property, plant and equipment

2022	**Land & Building AUD**	**Machinery AUD**	**Motor Vehicle AUD**	**Office Equipment AUD**	**Other Equipment AUD**	**Total AUD**
Opening net book value	-	14,392	106,304	18,268	25,885	164,849
Depreciation Adjustment	-	-	-	-	-	-
Additions	882,459	-	-	6,136	251,905	1,140,500
Disposals	-	-	-	-	-	-
Depreciation charge	-	(8,482)	(73,638)	(8,927)	(7,886)	(98,933)
Foreign exchange translation	-	(271)	(2,008)	(348)	(539)	(3,166)
Closing net book value	882,459	5,639	30,658	15,129	269,365	1,203,250

Note 15. Property, plant and equipment (continued)

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. Leases

This note provides information for leases where the Group is a lessee. The Group leases various offices and the rental contracts are typically made for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use assets are depreciated on a straight line over the shorter of the assets' useful life and the unexpired period of the lease term which ranges from one to five years.

Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivables
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 2022:

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Current lease liabilities	262,596	229,373
Non-current lease liabilities	515,239	34,260
	777,835	263,633

Note 16. Leases (continued)

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

Properties	**Consolidated 2022 AUD**	**Consolidated 2021 AUD**
Cost	1,580,991	808,556
Accumulated depreciation	(886,525)	(589,735)
Carrying amount	694,466	218,821

Additions to the right-of-use assets during 2022 were $719,321 (2021: $NIL).

Amounts recognised in profit and loss	**Consolidated 2022 AUD**	**Consolidated 2021 AUD**
Depreciation expense on right-of-use assets	266,662	222,883
Interest expense on lease liabilities	31,643	33,011
	298,305	255,894

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Expenses relating to short-term leases (included in administrative expenses)	45,683	43,046
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	4,433	4,970

The total cash outflow for leases in 2022 was $260,047 (2021: $250,556).

Note 17. Acquisition of subsidiary

BERONI PHARMACEUTICALS (GUANGDONG) CO., LTD.

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 will help the Company develop new drugs and medicines to cater for the vast needs of the Chinese market.

A new company, Beroni Pharmaceuticals (Guangdong) Co., Ltd (Beroni Guangdong), was incorporated in November 2022 for this new venture. In February 2022, the Group acquired 80% of the new entity's shares and a local investor acquired 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.

The issued share capital of the Chinese company is RMB791,513 or $169,808. The assets and liabilities recognized as a result of the acquisition are as follows:

	AUD
Cash	135,847
Receivables	33,961
Total net assets	**169,808**
Non-controlling interest in 20% of Beroni Guangdong	(33,961)
Net assets acquired	**135,847**

	AUD
Purchase consideration:	
Cash paid by Beroni Group	135,847
Total purchase consideration	**135,847**

Beroni Guangdong contributed $111,033 loss to the Group's profit or loss for the year between the date of acquisition and the reporting date. The loss is due to administrative and set-up expenses incurred by the new subsidiary company.

Note 18. Investment in other entities

	Consolidated 2022 AUD	Consolidated 2021 AUD
Investment in shares of Dendrix Inc.[1]	-	-

[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 2022, the directors and management performed an assessment of reasonably possible changes in key assumptions and had made a fair value assessment of the investments. The fair value gains and losses are recognised in other comprehensive income and accumulated in the investments revaluation reserve.

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

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

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

c. Level 3 inputs are unobservable inputs for the asset

For the investment in the equity of Dendrix Inc, the Group has 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 decided in to fully impair the value of its investment in Dendrix Inc. In 2022, the directors also decided to maintain the full impairment of the value of its investment in Dendrix Inc..

Financial assets/ financial liabilities	Fair value as at 31/12/22	Fair value as at 31/12/21	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.

Note 18. Investment in other entities (continued)

Recurring fair value measurements	31 December 2022	31 December 2021	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.	-	-	-	-	-	-

Note 19. Income tax

(a) Income tax expense	2022 AUD	2021 AUD
Current tax expense	-	-
Deferred tax expense/(income) relating to temporary differences	-	-
Deferred tax expense resulting from reduction in tax rate	-	-
Income tax expense relating to IPO costs directly in equity	-	-
Prior year adjustment	769	42,820
Total income tax expense	**769**	**42,820**

(b) Numerical reconciliation of income tax benefit to prima facie tax payable	AUD	AUD
Loss from continuing operations before income tax expense	(8,282,529)	(2,840,131)
Tax at the Australian tax rate of 25.0% (2021 - 25%)	(2,070,632)	(710,033)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Change in Australian tax rate	-	-
Amortisation of intangibles	-	-
Capital raising costs/legal expenses not deductible	-	-
Non-deductible expenses	1,242,265	357,029
R&D	140,740	218,518
Entertainment	-	-
Unrealised FOREX	-	--
Non assessable income	(96,581)	(114,466)
Other permanent differences	-	-
Under/over on intangibles of prior year	-	-
Adjustments for tax of prior periods	769	42,820
Movement in tax losses not recognised	703,684	381,941
Movement in temporary differences not recognised	73,877	(139,034)
Difference in overseas tax rates	6,648	6,044
Income tax expense / (benefit)	**769**	**42,820**

The applicable tax rate used reconciling income tax expense on continuing operations is the Australian enacted corporate tax rate of 25.0% (2021: 25%). This rate was selected due to the significant management presence and intellectual property located in Australia. The actual rate of tax applicable in particular jurisdictions may be higher or lower than 25.0%.

Note 19. Income tax (continued)

The enacted corporate tax rates across all jurisdictions are as follows:

- Australia 25%
- Japan 15%
- USA 21%
- China 25%
- Hong Kong 16.5%

	2022 AUD	2021 AUD
(c) Tax losses		
Breakdown of unused tax losses not recognised by jurisdiction		
Unused Australian tax losses for which no deferred tax asset has been recognised	8,570,681	7,749,602
Potential tax benefit at 25% (2021:25%)	2,142,670	1,937,400
Unused Chinese tax losses for which no deferred tax asset has been recognised	4,706,746	2,794,565
Potential tax benefit at 25% (2021:25%)	1,176,686	698,641
Unused US tax losses for which no deferred tax asset has been recognised	261,437	191,888
Potential tax benefit at 21% (2021:21%)	54,902	40,296
Unused Japanese tax losses for which no deferred tax asset has been recognised	65,942	30,783
Potential tax benefit at 15% (2021:15%)	9,891	4,617
Unused Hong Kong tax losses for which no deferred tax asset has been recognised	13,857	10,891
Potential tax benefit at 16.5% (2021:16.5%)	2,286	1,797
Unused gross tax losses for which no deferred tax asset has been recognised	13,618,662	10,777,728
Total at local tax rates	3,386,436	2,682,752

	2022 AUD	2021 AUD
(d) Unrecognised temporary differences		
Accrued expenses	28,104	27,654
Net impact of leases	20,842	11,203
Provisions for doubtful debts	586,219	540,412
Impairment of investments	914,096	914,096
Amortisation of intangibles	186,423	168,443
	1,735,685	1,661,808

Note 20. Trade and other payables

	Consolidated 2022 AUD	Consolidated 2021 AUD
Trade and other payables	587,962	21,598
Other liabilities [1]	750,111	345,982
Convertible notes - liabilities	725,795	2,857,835
Payables to related parties	-	26,730
	2,063,88	3,252,145

[1] Included in other liabilities is $484,784 of accrued directors' fees (2021 - $199,334).

Note 20. Trade and other payables (continued)

The movements in the convertible notes - liabilities are shown below.

Convertible notes – liabilities	**Consolidated 2022 AUD**	**Consolidated 2021 AUD**
At 1 January	2,857,835	2,488,649
Convertible bonds issued [1]	711,450	-
Unwinding of amortised transaction costs relating to issue of convertible notes	-	202,884
Exchange (gain) / loss on translation of USD denominated convertible notes	166,548	-
Recognition of equity component on variation of convertible notes [2]	(3,010,038)	166,302
At 31 December	725,795	2,857,835

[1] On 28 January 2022, 5,000 0% USD denominated convertible notes were issued by the Company to a Chinese 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$7 per share. Conversion may occur at any time between the date of issue and the maturity date. The maturity date is one year and upon maturity, the Company must convert all convertible notes which are not yet converted to shares. The conversion price for the convertible notes has a price protection that if, upon the listing of the Company on the Nasdaq Stock Market or the New York Stock Exchange, the initial public offering price is lower than the US$7 conversion price, then the Company must issue such number of additional shares to the investor that would have been issued if the convertible notes were issued at the initial public offering price instead of the conversion price.

Subsequently in March 2023, the convertible noteholder extended the maturity date to the date of listing of the Company on Nasdaq.

[2] See Note 28

Note 21. Earnings per share

	Consolidated 2022 AUD	**Consolidated 2021 AUD**
Basic loss per share (cents)	(10.57)	(3.51)
Diluted loss per share (cents)	(10.57)	(3.51)

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

Earnings	**Consolidated 2022 AUD**	**Consolidated 2021 AUD**
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(8,100,743)	(2,663,302)
Earnings for the purpose of diluted earnings per share	(8,100,743)	(2,663,302)
Number of shares		
Weighted average number of shares used in calculating basic earnings per share	76,635,084	75,797,434
Effect of dilutive potential ordinary shares		
Convertible loan notes	-	-
Weighted average number of shares used in calculating diluted earnings per share	76,635,084	75,797,434

At 31 December 2022, 22,505,000 options and 25,736 of US$100 convertible notes (20,736 with a conversion price of US$1.728 and 5,000 with a conversion price of the lower of US$7 and the initial public offering price on Nasdaq or New York Stock Exchange) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. At 31 December 2021, 21,351,000 options and 20,736 convertible notes with a conversion price of US$1.728 were excluded. If the 20,736 notes were to be converted at US$1.728 and the 5,000 notes converted at US$7, the number of shares issued would be 1,271,429 (2021: 1,200,000 shares).

Note 21. Earnings per share (continued)

Subsequently on 30 June 2023, the Company issued 3,305,000 new shares to its directors and senior employees.as a reward for their performance in the past financial year. In addition, another 110,000 shares were issued on 10 July 2023 to the Crone Law Group, PC as part payment of legal fees for assisting with the preparation, lodgement and amendment of the F-1 registration statement.

Note 22. Auditors' remuneration

	Consolidated 2022 AUD	Consolidated 2021 AUD
UHY Haines Norton Sydney	105,800	98,200

Note 23. 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 2022.

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 2022.

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 2022 and 31 December 2021, the Group held the following financial instruments:

	Consolidated 2022 AUD	Consolidated 2021 AUD
Financial Assets		
Current		
Cash and cash equivalents	2,577,606	5,744,957
Trade receivables	1,399,048	1,291,086
Other receivables	373,867	391,813
	4,350,521	7,427,856
Financial Liabilities		
Current		
Trade and other payables	587,962	21,598
Payables to related parties	-	26,730
Convertible notes payables	725,795	2,857,835
Other liabilities	750,111	345,982
	2,063,868	3,252,145

Note 23. Financial risk management (continued)

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

(a) Credit risk

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

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

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

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 10. No collateral is held over other receivables.

Trade and other receivables

The Group measures expected credit losses using a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as GDP and unemployment rate of the countries concerned affecting the ability of the customers to settle the receivables.

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 360 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment

The balance of trade and other receivables that were aged over 360 days and impaired at 31 December 2022 is $3,511,219 (2021: $3,386,515).

31 December 2022	**Not past due**	**Less than 6 months**	**6-12 months**	**More than 1 year**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Expected credit loss %	-	-	-	79.31%	66.45%
Gross carrying amount	-	581,771	275,111	4,427,252	5,284,134
Expected credit loss provision	-	-	-	3,511,219	3,511,219

31 December 2021	**Not past due**	**Less than 6 months**	**6-12 months**	**More than 1 year**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Expected credit loss %	-	-	-	95.35%	66.80%
Gross carrying amount	229,313	692,003	596,384	3,551,714	5,069,414
Expected credit loss provision	-	-	-	3,386,515	3,386,515

Note 23. Financial risk management (continued)

The aging of the trade and other receivables that were not impaired as at 31 December 2022 are set out in the following table.

	2022 AUD	2021 AUD
Neither past due nor impaired	-	428,799
0 to 180 days past due but not impaired	581,771	660,873
180 to 360 days past due but not impaired	275,111	593,227
Over 360 days past due but not impaired	916,033	-
	1,772,915	1,682,899

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 10. No collateral is held over other receivables.

Cash and cash equivalents

The Group held cash and cash equivalents of $2,577,606 at 31 December 2022. 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 2022					
Trade and other payables	577,739		10,223	587,962	587,962
Payables to related parties	-	-	-	-	-
Other liabilities	460,972	183,079	106,060	750,111	750,111
Lease liabilities	128,224	129,011	651,600	908,835	777,835
	1,166,935	312,090	767,883	2,246,908	2,115,908
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
Lease liabilities	141,048	121,551	61,760	324,359	263,633
	487,030	3,006,116	83,358	3,576,504	3,515,778

Note 23. Financial risk management (continued)

(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).

Interest rate risk

Some cash balances held by the Group are subject to interest, however the movement of interest rates have an immaterial impact on the Group's results.

Foreign exchange risk

The operational foreign exchange risk is managed as follows:

Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.

The Australian entity is subject to the following foreign currency exposures at each year end. The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the foreign exchange rates based on items on balance sheet at the end of the year.

	31 December 2022			31 December 2021		
	Balance in AUD	Sensitivity	Profit and Loss Change	Balance in AUD	Sensitivity	Profit and Loss Change
USD - Cash	149,783	10%	(10,1488)	757,662	10%	(54,976)
USD - Convertible Notes	(725,795)	10%	49,173	(2,857,835)	10%	207,365

The Group is exposed to currency risk in relation to the translation of the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars. This translation is recognised directly in equity.

The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the AUD dollar of the major currencies to which the Group is exposed through its net investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

	31 December 2022			31 December 2021		
Exposure Currency	Balance in AUD	Sensitivity	Equity Change	Balance in AUD	Sensitivity	Equity Change
Chinese Yuan	(2,953,126)	10%	268,466	(1,053,229)	10%	95,748
Japanese Yen	31,799	10%	(2,891)	74,486	10%	(6,771)
US Dollar	(205,502)	10%	18,682	(125,292)	10%	11,390
Hong Kong Dollar	(39,800)	10%	3,618	(34,308)	10%	3,119

Note 24: Share-based compensation benefits

	2022 AUD	2021 AUD
Share-based compensation benefits recognised during the financial year		
Options issued to directors and employees (see employee share options note below)	4,725,658	1,362,735

Employee share options

Beroni Group Limited has established a Remuneration Plan for its directors and employees. The Remuneration Plan provides flexibility to the Board to grant share 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 shares or options for shares issued by the Company. In July 2021, they were granted the following number of options: .

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

In addition, a total of 8,316,000 options were granted to senior employees of the Company in 2021 and 2022 based on the same terms and conditions as those of the directors.

According to the terms of the share options issued in 2021, the options vest and become capable of exercise in 5 tranches over a 3-year period ending on 30 June 2024, as long as the participants have remained as a director or employee up until and including the vesting date.

The original terms of the share options issued in 2021 were amended and approved at a shareholders meeting held on 31 May 2022. In addition to extending the vesting period by another year to 30 June 2025, the following changes were made:

Tranche	New vesting condition	Previous vesting condition	New exercise price	Previous exercise price
Tranche 1	Nasdaq listing	Nasdaq listing	US$1.25	US$2
Tranche 2	Annual revenue exceeds US$2 million	Annual revenue exceeds US$3 million	US$1.25	US$2
Tranche 3	Annual revenue exceeds US$3 million	Annual revenue exceeds US$5 million	US$1.75	US$2.5
Tranche 4	Annual revenue exceeds US$4 million	Annual revenue exceeds US$7 million	US$2.25	US$3
Tranche 5	One clinical trial advances to next phase	One clinical trial advances to next phase	US$1.50	US$2

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 Share Options Rules and the Securities Trading Policy.

Note 24: Share-based compensation benefits (continued)

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.

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

Category	Grant date	Modified date	Modified 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	31 May 2022	US$1.25 to US$2.25	13,250,000	-	-	-	13,250,000	-
Employees	1 July 2021	31 May 2022	US$1.25 to US$2.25	8,102,500	1,152,500	-	-	9,255,000	-

Fair value of options granted

The modified fair values of options granted to both directors and staff are as follows:

Tranche 1	Modified fair value per option = US$0.4327 or A$0.6281
Tranche 3	Modified fair value per option = US$0.4327 or A$0.6281
Tranche 3	Modified fair value per option = US$0.3623 or A$0.5259
Tranche 4	Modified fair value per option = US$0.3111 or A$0.4514
Tranche 5	Modified fair value per option = US$0.3944 or A$0.5725

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 were as follows:

- options are granted for no consideration, have an original 3-year life on grant date in July 2021, are exercisable in 5 tranches over the 3-year period and was extended by another year in May 2022
- grant date: 1 July 2021; modified date: 31 May 2022
- share price at grant date: A$1.25 or US$0.90
- exercise price: US$1,25 to US2.25 or A$1.81 to A$3.27
- expected volatility: 83.96%
- expected dividend yield: 0%
- risk free rate: 2.75%

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 25. Related party transactions

a) Related parties

The Group's major related parties are as follows:

1)	Key management personnel	Boqing Zhang Peter Yap Ting Wong Hai Huang Libing Guo Zhinan Yin (resigned on 22 March 2023) Dr Richard Buchta Nicholas Ong Dr John Chiplin (appointed on 1 April 2022)
2)	Substantial shareholders	Boqing Zhang Kai Shen Libing Guo
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 Pharmaceuticals (Guangdong) Co., Ltd (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)

	2022 AUD	2021 AUD
Total KMP Compensation		
Short-term employee benefits	574,419	532,000
Post-employment benefits	-	-
Share-based payments	2,834,712	855,257
	3,409,131	1,387,257

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

Other transactions

In the year ended 31 December 2022, 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 $39,168 for such services rendered in the 2022 financial year.

c) Balances with related parties

Amounts due to related parties	2022 AUD	2021 AUD
Mr. Boqing Zhang [1]	-	26,730
Total amounts due to related parties	-	26,730

[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.

In June 2023, Mr. Boqing Zhang provided another loan of AUD100,000 to Beroni Group Limited for working capital needs.

Note 26. Dividends

There was no dividend paid nor declared during the period.

Note 27. Share capital

	2022		2021	
	Number of shares	AUD	Number of shares	AUD
Ordinary shares fully paid				
At the beginning of the period	76,618,372	30,766,002	75,722,348	26,973,167
Conversion of convertible notes	-	-	746,024	3,642,835
Share placements	-	-	-	-
Shares issued to directors and employees	20,000	20,000	-	-
Shares issued to service providers	-	-	150,000	150,000
Total ordinary shares fully paid	76,638,372	30,786,001	76,618,372	30,766,002

Note 28. Convertible notes – equity

	Consolidated 2022 AUD	Consolidated 2021 AUD
Balance at beginning of the period	-	1,172,835
Recognition of equity component on issue of convertible notes [1]	-	2,470,000
Recognition of conversion of convertible notes [2]	-	(3,642,835)
Recognition of equity on change of redemption term of existing convertible notes [3]	3,010,038	-
Balance at end of the period	3,010,038	-

[1] 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.

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

[3] 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. The net proceeds received from the issue of these convertible notes were initially recognised in liability in the previous financial period as the investor could redeem the convertible notes upon maturity.

However, on 16 May 2022, the investor agreed to extend the maturity date of the convertible notes to the official date of listing of the Company on the Nasdaq stock market and to convert all unconverted notes to ordinary shares upon maturity. As the convertible notes can no longer be redeemed for cash before or upon maturity, they are fully recognised as equity in this financial period.

This is in accordance with AASB 132 Financial Instruments whereby a convertible note can be classified as equity if the noteholder does not have the right to redeem in cash and must convert to a fixed number of shares upon maturity. The financial liability in this case has been extinguished as the substantial modification to the contractual obligation i.e. the obligation to repay in cash by the Company, has been cancelled. It is reclassified as equity on the basis that the redemption obligation has been extinguished and Company will deliver a fixed number of ordinary shares upon conversion.

Note 29. Reserves

	Consolidated 2022 AUD	Consolidated 2021 AUD
Surplus reserve	16,885	16,885
Investment revaluation reserve *	(2,431,515)	(2,431,515)
Foreign currency translation reserve	1,096,266	1,326,773
Shares options reserve	6,088,393	1,362,735
Total Reserves	**4,770,029**	**274,879**

Note 29. Reserves (continued)

* 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.

Note 30. Non-controlling interests

	Consolidated 2022 AUD	Consolidated 2021 AUD
Non-controlling interests	321,583	470,351

The non-controlling interests represent the other 40% ownership interest in PENAO Pty Ltd and the other 20% in Beroni Pharmaceuticals (Guangdong) Co., Ltd which were recognised upon acquisition of control and incorporation of the company respectively.

Note 31. 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.

	2022 AUD	2021 AUD
Current assets	839,106	1,081,635
Non-current assets	13,149,862	12,805,257
Total assets	**13,988,968**	**13,886,892**
Current liabilities	865,379	2,966,718
Non-current liabilities	-	-
Total liabilities	**865,379**	**2,966,718**
Contributed equity	30,875,747	30,855,747
Convertible notes	3,010,038	-
Accumulated losses	(24,419,073)	(18,866,793)
Reserves	3,656,878	(1,068,780)
Total equity	**13,123,590**	**10,920,174**
Loss for the year	(5,552,280)	(2,841,782)
Other comprehensive loss for the year	-	(1,303,007)
Total comprehensive loss for the year	**(5,552,280)**	**(4,144,789)**

Note 32. Subsidiaries

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

Name of Entity	Country of Incorporation	Equity Holding 31.12.2022 %	Equity Holding 31.12.2021 %	Principle Activities
Beroni HongKong Limited	Hong Kong	100	100	Investment holdings
Tianjin Beroni Biotechnology Co., Limited	China	100	100	Retail of health products
BERONI BIOTECH INC.	Japan	100	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
Beroni Pharmaceuticals (Guangdong) Co., Ltd	China	80%	-	R&D centre

Note 33. Reconciliation of Profit after income tax to Net Cash from operating activities

	2022 AUD	2021 AUD
Operating loss after tax	(8,283,298)	(2,882,951)
Depreciation & Amortisation	449,576	620,361
Fair value gain on revaluation of investment in associate	-	-
Shares / options issued to directors and senior managers	4,725,658	1,362,735
Consulting fee, directors' fee and employee benefit related to share issued	20,000	
Shares issued to services provider	-	150,000
Unrealised foreign exchange loss	166,548	(161,829)
Decrease in receivables	(440,198)	(1,019,106)
Decrease in prepayments	(180,770)	(346,515)
Decrease / (increase) in inventory	22,352	(203,358)
(Decrease) / increase in payables	566,364	2,696
Increase in other liabilities	274,890	1,126,958
Net cash flow from operating activities	(2,678,878)	(1,351,009)

Note 34. Contingencies

The Group has no contingent liabilities or commitments as at 31 December 2022 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.

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.ing. Subsequently in August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The retrial was held on 2 June 2022 and later on 4 July 2022, the Chinese court issued a judgement rejecting the claim again and ruling in favour of the Chinese subsidiary. The claimant has however lodged a further appeal and a court hearing was attended by Beroni on 18 November 2022. On 24 April 2023, the Chinese court dismissed the claim again and ruled in favour of Beroni.

Note 34. Contingencies (continued)

(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.

(d) 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 plans to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant. The Company signed a renovation contract for RMB5.2 million (A$1.13 million) with a local builder to renovate the whole R&D office. The renovation was completed by the end of 2022. As at 31 December 2022, the Company has paid 60% payment of RMB3.12 million to the builder, with another 20% payment of RMB1.04 million due upon rectification of defects and completion of GMP facility certification and the remaining 20% of RMB1.04 million to be settled 3 months upon completion of the whole project.

Note 35. Events after the Balance Sheet date

1. China ended its zero-COVID policy in December 2022 and opened its travel borders in January 2023. Whether China can effectively contain the coronavirus outbreak or face a major public health threat after the abrupt ending of its zero-COVID policy remains uncertain. It is not practicable to estimate the potential impact, positive or negative, to the Chinese economy. The situation is still developing and there are signs that things are gradually going back to normal and the economy is recovering from its doldrums.

2. The 5,000 convertible notes issued to the Chinese investor on 28 January 2022 matured on 28 January 2023. Upon maturity, the Company must convert all convertible notes which are not yet converted to shares. However, the investor agreed to extend the maturity date of the convertible notes to the official date of listing of the Company on the Nasdaq stock market.

3. In April 2023, the Company entered into unsecured and interest-free convertible loan agreements with two investors for an aggregate principal loan amount of $291,545. The loans are convertible at US$1.50 per share upon listing of the Company's shares on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loans are repayable on 18 April 2024 unless converted earlier. However, letters have been obtained from the noteholders to extend these to 18 October 2024, if the Nasdaq listing is further delayed.

4. On 30 June 2023, the Company issued 3,305,000 new shares to its directors and senior employees.as a reward for their performance in the past financial year. In addition, another 110,000 shares were issued on 10 July 2023 to the Crone Law Group, PC as part payment of legal fees for assisting with the preparation and lodgement of the F-1 registration statement.

5. On 11 July 2023, the Company entered into an unsecured interest-free convertible loan agreement with another investor for a principal loan amount of US$27,778. The loan is convertible at US$2.00 per share upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loan is repayable on 11 January 2025 unless converted earlier.

6. 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 Group's operations in future financial years, or
   b. the results of those operations in future financial years, or
   c. the Group's state of affairs in future financial years.

Note 36. Restatement and Reissuance of Financial Report

Due to the incorrect disclosure of the Company's principal place of business in Note 1 to the financial statements, the financial statements previously issued on 30 March 2023 have been restated and reissued to reflect the correction of this error. The error correction has no effect on other parts of the financial statements. Due to the restatement, the previously issued financial statements and the related auditor's report can no longer be relied upon.

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 2022 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

17 August 2023

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Beroni Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beroni Group Limited (the Company) and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial 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 financial position as at 31 December 2022 and of its financial performance for the year then ended; and

ii. Complying with Australian Accounting Standards and the *Corporations Regulation 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 confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms given to the directors at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report, which discloses that the Group's ability to continue as a going concern is impacted by continuing losses after tax. These conditions together with other matters described in 2 of the Financial Report, indicate a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Emphasis of matter

We draw attention to Note 36 of the financial report, which describes the restatement and reissuance of the financial report. Our opinion is not modified in respect of this matter.

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, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

RECOVERABILITY OF RECEIVABLES

As at 31 December 2022, the Group's Statement of Financial Position includes trade receivables of $1.34 million after impairment (gross balance $3.40 million and provision for expected credit losses $2.06 million). The trade receivables were assessed for impairment in the current year and based on assessment, an expected credit loss of $2.06 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 10 March 2023 to check subsequent receipts from customers. ▸ For each debtor, we checked the movement of the balance as compared to the prior year. 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.

ACCOUNTING FOR CONVERTIBLE NOTES

As at 31 December 2022, the Group's Statement of Financial Position includes convertible notes payable of $0.73 million and convertible notes – equity of $3.01 million.

New convertible notes were issues during the 2022 financial year (classed as liabilities), and also an extension of convertibles issued prior to FY22, which led to a reclassification of convertible notes from liability to equity.

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 accounting recognition of convertible notes is an audit risk due to the accounting complexity associated with the relevant calculations and disclosure requirements. A key audit matter is that the convertible notes, both liability and equity 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 reviewed management's calculations to verify their accuracy. ▸ We assessed whether the recognition is in line with relevant accounting standards. We assessed the reasonability and completeness of the Group's financial statements disclosures.

INTANGIBLE ASSET ACCOUNTING

As at 31 December 2022, 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

ACCOUNTING FOR SHARE BASED PAYMENTS

As at 31 December 2022, the Group's Statement of Financial Position included share option reserve of $6.09 million and a share based payment expense of $4.73 million was recognised in the year ended 31 December 2022.
Options had been granted to directors and senior employees in the 2021 financial year.
The original terms of the ESOP were amended and approved at a shareholders meeting held on 31 May 2022. In addition to extending the vesting period by another year to 30 June 2025 (previously June 2024), and also amended vesting conditions and exercise prices.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: The significance of these assets to the Group's consolidated statement of financial position and profit and loss. The accounting recognition of share based payments is an audit risk due to the accounting complexity associated with the relevant calculations and disclosure requirements. A key audit matter is that the share options 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 reviewed management's calculations to verify their accuracy. ▸ We assessed whether the recognition is in line with relevant accounting standards. ▸ We assessed the reasonability and completeness of the Group's financial statements disclosures.

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 2022, 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 skepticism 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 period 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 10-14 of the directors' report for the year ended 31 December 2022.

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

UHY Haines Norton
Chartered Accountants

Sydney
Date: 17 August 2023