Broo Limited

ACN 060 793 099

Annual Report - 30 June 2018

Broo Limited
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General information

The financial statements cover Broo Limited as a consolidated entity consisting of Broo Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Broo Limited's functional and presentation currency.

Broo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
3/506 Nepean Highway FRANKSTON VIC 3199	20 Langtree Avenue MILDURA VIC 3500

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2018. The directors have the power to amend and reissue the financial statements.

Directors	Kent Grogan (Chairman and Executive Director) Mathew Boyes (Non-Executive Director) Matthew Newberry (Non-Executive Director)
Company secretary	Justyn Stedwell
Registered office	3/506 Nepean Highway FRANKSTON VIC 3199
Principal place of business	20 Langtree Avenue MILDURA VIC 3500
Auditor	ShineWing Australia Level 10, 530 Collins St MELBOURNE VIC 3000
Solicitors	Moray and Agnew Level 6, 505 Little Collins Street MELBOURNE VIC 3000
Stock exchange listing	Broo Limited shares are listed on the Australian Securities Exchange (ASX code: BEE)
Contact details	Telephone: +61 3 5972 2480 E-mail: enquiries@broo.com.au Web page: www.broo.com.au

Broo Limited
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Broo Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors
The following persons were directors of Broo Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kent Grogan
Mathew Boyes
Matthew Newberry (appointed 2 March 2018)
Phillip Grundy (resigned 2 March 2018)
Geoff De Graaff (resigned 2 March 2018)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- production packaged beer in both Australia and China; and
- management of hospitality venues.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $4,436,359 (30 June 2017: $3,488,544).

Broo, via its wholly owned subsidiary, Broo Export Pty Ltd, entered into a Binding Agreement with Beijing Jihua Information Consultant Ltd (“Jihua”), to exclusively market and distribute the Broo Premium Lager beer products in China for a period of 7 years.

The Agreement is binding on a ‘Take or Pay’ basis for 1.5 Billion litres of Broo Premium Lager beer products over the 7 year period with Jihua paying a fixed rate per litre. Based on the full seven (7) year term of the distribution arrangement, the aggregate distribution revenue generated for Broo is RMB602 million (approximately AUD $120 million).

Broo retail via Mildura Brewery Pub and Sorrento Brewhouse continues to see increases in patron numbers and sales volume across both venues. These retail food and beverage outlets are located in iconic blue-chip locations. The company is pleased to see this category provide increased gross margin, strengthened on premise sales and further product awareness.

The company continues to focus on increased domestic sales and distribution. Availability of Broo products has now been expanded and available nationally via Australian Liquor Marketers Pty Ltd (ALM). The company is engaged with Independent Liquor retail banner groups throughout Australia resulting in greater in store presence. Greater consumer awareness combined with expanded distribution via this channel has seen increased annual sales volumes of the Broo brands.

Broo Brewery Pty Ltd, a wholly owned subsidiary of the Company is developing a world-class, environmentally sustainable facility, the “World’s Greenest Brewery” that includes a state-of-the-art brewery, Australian Beer Museum and cultural engagement hub. The project is located on a 15 hectare commercial site on the Ballarat Western Link Road within the new Ballarat West Employment Zone Industrial Park, Ballarat, Victoria.

This project is significant to the company’s growth and expansion into other national and international markets. Once the brewery is constructed it will provide significant production capacity for the company to produce its own beverage products at large volumes and offer substantial contract production services for third party beverage and retail companies wishing to outsource production of their products.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 15 August 2018, the company signed as agreement extending the loan facility of $1,228,00 until 15 October 2019.

On 31 August 2018, the company issued 10,000,000 ordinary shares raising $2,000,000. Of this amount $600,000 had been received before 30 June 2018, and recognised as a current liability, with the remainder having been received since 30 June 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity 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 consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Kent Grogan
Title:	Executive Director and Chairman
Experience and expertise:	Kent founded the Business in 2009 and has been managing all facets of the Business since then, in his capacity as an executive director of the company. Kent is the creator of the Broo Premium Lager and Australia Draught Beer brands, and has been instrumental in developing the commercial strategy and marketing initiatives for the company since the launch of the business.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	N/A
Interests in shares:	413,425,000 fully paid ordinary shares
Interests in options:	41,342,500 options

Name:	Mathew Boyes
Title:	Non – Executive Director
Experience and expertise:	Mathew Boyes is a Chartered Accountant and a partner at Harper Group. Mathew has been a non-executive director of the company since 2011. Mathew completed his Bachelor of Commerce from the Deakin University and was admitted as a Chartered Accountant in 1999, becoming a Chartered Accountant Financial Planning Specialist in 2010 and a SMSF Specialist Advisor with the Self Managed Super Fund Association in 2011. Mathew has over 15 years' experience in accounting and professional services, with a strong track record of assisting clients with the operation of their businesses and financial affairs. As a result, Mathew brings substantial professional experience that will be valuable for the management of the company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit Committee
Interests in shares:	500,000 fully paid ordinary shares
Interests in options:	2,000,000 options

Name:	Matthew Newberry
Title:	Non – Executive Director (appointed 2 March 2018)
Experience and expertise:	Matthew Newberry is the Director of Newberry Family Holdings, a hospitality management company based in QLD Australia. His company has been involved with a number of Hospitality Management Contracts and projects including as a General Manager for the McGuires Hotel Group, Queensland's Largest family owned hotel group, Kyko Group's $150 million Mon Komo Hotel Development Project, Ray Groups $1 billion Salt Village Development, the establishment & growth of the Coles Liquor Group to 100 Hotels Nationally. Prior to this he has held senior management and operational roles in Hotels, Resorts, Registered Clubs & Casinos.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit Committee
Interests in shares:	Nil
Interests in options:	Nil

Name:	Phillip Grundy
Title:	Non – Executive Director (resigned 2 March 2018)
Qualifications:	Masters of Laws (Commercial Law) from Monash University, a Bachelor of Laws (Hons) and Bachelor of Arts from Deakin University.
Experience and expertise:	Phillip is a Director at Moray and Agnew Lawyers, specialising in Corporate law and Mergers & Acquisitions. Phillip has acted as a legal advisor to many ASX-listed public companies across a broad range of industry sectors. He has advised several Australian and international companies in relation to ASX-listings, initial public offerings, backdoor listings, capital raisings, corporate takeovers, corporate governance matters, and commercial transactions. He also previously worked for Chen & Co Law Firm in China and has assisted many Australian companies with China- related transactions. In addition, Phillip advises a number of international companies in relation to inbound Australian investment, mergers and acquisitions, capital raisings in the Australian market, and cross-border transactions.
Other current directorships:	Golden Mile Resources Ltd (ASX:G88)
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit Committee
Interests in shares:	N/A
Interests in options:	N/A

Name:	Geoff De Graaff
Title:	Non – Executive Director (resigned 2 March 2018)
Experience and expertise:	Geoff has built and managed a range of successful businesses across the technology and communications sector. Geoff was the founding member of the Telstra Licensed Shop channel, and after years of success in the retail space, was instrumental in the development and creation of the Telstra Business Centres. Geoff's businesses have achieved several awards including awards for Outstanding People Development and Partner of the Year. Geoff was previously the CEO of the communications arm of Leading Edge Group, a company which conducted operations in Australia, New Zealand and the UK. Geoff was also a board member of the Leading Edge group of companies. Geoff has a solid background in management, sales and marketing. Geoff has a passion for commercial and multi residential development, and been involved in a number of large projects over the years.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit Committee
Interests in shares:	N/A
Interests in options:	N/A

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held
Kent Grogan	4	4
Mathew Boyes	4	4
Geoff De Graaff	3	3
Phillip Grundy	3	3
Matthew Newberry	1	1

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The Board have structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 29 November 2016, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments including options.

Use of remuneration consultants
During the financial year ended 30 June 2018, the consolidated entity did not engage remuneration consultants.

Voting and comments made at the company's 30 November 2017 Annual General Meeting ('AGM')
At the 30 November 2017 AGM, 94.42% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mathew Boyes	43,800	-	-	-	-	-	43,800
Phillip Grundy *	29,200	-	-	-	-	-	29,200
Matthew Newberry **	14,600	-	-	-	-	-	14,600
Executive Directors:							
Kent Grogan	360,000	-	-	20,047	-	-	380,047
	447,600	-	-	20,047	-	-	467,647

* resigned on 2 March 2018.
** appointed on 2 March 2018.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mathew Boyes	43,800	-	-	-	-	200	44,000
Geoff De Graaff	43,800	-	-	-	-	1,000	44,800
Phillip Grundy *	31,319	-	-	-	-	500	31,819
Executive Directors:							
Kent Grogan	360,000	-	-	19,615	-	4,134	383,749
	478,919	-	-	19,615	-	5,834	504,368

* appointed on 14th October 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Mathew Boyes	100%	100%	-	-	-	-
Geoff de Graff	-	98%	-	-	-	2%
Phillip Grundy	-	98%	-	-	-	2%
Matthew Newberry	100%	-	-	-	-	-
Executive Directors:						
Kent Grogan	100%	99%	-	-	-	1%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Kent Grogan
Title:	Chairman and Executive Director
Agreement commenced:	1 June 2016
Term of agreement:	Employment may be terminated without cause by either the employer or executive with six months notice. The agreement remains in force until terminated.

Name:	Mathew Boyes
Title:	Non-Executive Director
Agreement commenced:	1 July 2016
Term of agreement:	Non-executives can voluntarily resign. Under Broo's constitution, a director who has held office for more than 3 years since the last election will automatically retire at the AGM and can be re-elected at the AGM. The agreement remains in force until terminated.

Name:	Geoff De Graaff
Title:	Non-Executive Director
Agreement commenced:	1 July 2016
Term of agreement:	Non-executives can voluntarily resign. Under Broo's constitution, a director who has held office for more than 3 years since the last election will automatically retire at the AGM and can be re-elected at the AGM. The agreement does not have a duration and remains in place until removal, resignation or the contract is re-issued.

Name:	Phillip Grundy
Title:	Non-Executive Director
Agreement commenced:	14 October 2016
Term of agreement:	Non-executives can voluntarily resign. Under Broo's constitution, a director who has held office for more than 3 years since the last election will automatically retire at the AGM and can be re-elected at the AGM. The agreement remains in force until terminated.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Kent Grogan	41,342,500	4 July 2016	4 July 2016	3 July 2020	$0.30	$0.0001
Geoff De Graaff	10,000,000	4 July 2016	4 July 2016	3 July 2020	$0.30	$0.0001
Mathew Boyes	2,000,000	4 July 2016	4 July 2016	3 July 2020	$0.30	$0.0001
Phillip Grundy	5,000,000	4 July 2016	4 July 2016	3 July 2020	$0.30	$0.0001

Options granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Sales revenue	2,579,267	980,617	516,334	722,571	681,244
Profit after income tax	(4,436,359)	(3,488,544)	(2,652,497)	(1,071,430)	(907,460)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017
Share price at financial year end ($)	0.14	0.30
Basic earnings per share (cents per share)	(0.73)	(0.59)
Diluted earnings per share (cents per share)	(0.73)	(0.59)

The company listed on the ASX on 14 October 2016 and for this reason earlier information has not been disclosed.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Acquired	Other additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Kent Grogan	413,425,000	-	-	-	413,425,000
Mathew Boyes	500,000	-	-	-	500,000
Geoff De Graff	50,753,140	-	-	-	50,753,140
Phillip Grundy	150	-	-	-	150
	464,678,290	-	-	-	464,678,290

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Kent Grogan	41,342,500	-	-	-	41,342,500
Mathew Boyes	2,000,000	-	-	-	2,000,000
Geoff de Graff	10,000,000	-	-	-	10,000,000
Phillip Grundy	5,000,000	-	-	-	5,000,000
	58,342,500	-	-	-	58,342,500

Loans to key management personnel and their related parties

During the prior the company provided a loan of $250,000 to an entity related Kent Grogan and Geoff de Graff. The loan had a two year term and interest is payable monthly at 10% per annum. The loan was repaid in February 2018.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Broo Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
4 July 2016	3 July 2020	$0.30	60,342,500

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Broo Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability 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.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of ShineWing Australia
There are no officers of the company who are former partners of ShineWing Australia.

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 immediately after this directors' report.

Auditor

ShineWing Australia continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Kent Grogan
Chairman and Executive Director

27 September 2018

ShineWing Australia
Accountants and Advisors
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shinewing.com.au

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of Broo Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there has been:

(i) no contraventions of the auditor independence requirements as set out in 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Nick Michael
Partner

Melbourne, 27 September 2018

Broo Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	5	2,579,267	980,617
Expenses			
Cost of sales		(2,243,449)	(868,492)
Marketing		(273,061)	(154,782)
Occupancy		(859,618)	(326,065)
Administration		(3,257,456)	(2,737,230)
Other expenses		(202,135)	(240,392)
Finance costs	6	(179,907)	(142,200)
Loss before income tax expense		(4,436,359)	(3,488,544)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Broo Limited		(4,436,359)	(3,488,544)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Broo Limited		(4,436,359)	(3,488,544)
		Cents	**Cents**
Basic loss per share	36	(0.73)	(0.59)
Diluted loss per share	36	(0.73)	(0.59)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Broo Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	8	638,834	693,951
Trade and other receivables	9	164,185	459,021
Inventories	10	1,097,402	785,902
Other	11	87,645	479,008
Total current assets		1,988,066	2,417,882
Non-current assets			
Receivables	12	-	250,000
Inventories	13	-	244,337
Property, plant and equipment	14	5,037,196	3,794,743
Intangibles	15	211,503	207,925
Other	16	22,000	666,419
Total non-current assets		5,270,699	5,163,424
Total assets		7,258,765	7,581,306
Liabilities			
Current liabilities			
Trade and other payables	17	1,356,076	763,413
Borrowings	18	1,602,857	28,052
Employee benefits	19	118,243	59,699
Other financial liabilities	20	600,000	-
Total current liabilities		3,677,176	851,164
Non-current liabilities			
Borrowings	21	1,414,254	139,601
Employee benefits		28,625	15,472
Total non-current liabilities		1,442,879	155,073
Total liabilities		5,120,055	1,006,237
Net assets		2,138,710	6,575,069
Equity			
Issued capital	22	16,075,857	16,075,857
Reserves	23	6,034	6,034
Accumulated losses		(13,943,181)	(9,506,822)
Total equity		2,138,710	6,575,069

The above statement of financial position should be read in conjunction with the accompanying notes

Broo Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Reserves $	Contributed equity $	Accumulated losses $	Total equity $
Balance at 1 July 2016	-	6,278,078	(6,018,278)	259,800
Loss after income tax expense for the year	-	-	(3,488,544)	(3,488,544)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,488,544)	(3,488,544)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	-	9,797,779	-	9,797,779
Share-based payments (note 37)	6,034	-	-	6,034
Balance at 30 June 2017	6,034	16,075,857	(9,506,822)	6,575,069

Consolidated	Reserves $	Contributed equity $	Accumulated losses $	Total equity $
Balance at 1 July 2017	6,034	16,075,857	(9,506,822)	6,575,069
Loss after income tax expense for the year	-	-	(4,436,359)	(4,436,359)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,436,359)	(4,436,359)
Balance at 30 June 2018	6,034	16,075,857	(13,943,181)	2,138,710

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

Broo Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,113,468	1,014,126
Payments to suppliers and employees (inclusive of GST)		(5,879,697)	(5,522,510)
		(2,766,229)	(4,508,384)
Interest received		16,874	30,810
Interest and other finance costs paid		(200,629)	(142,200)
Payments of security deposits		-	(7,262)
Net cash used in operating activities	35	(2,949,984)	(4,627,036)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	32	-	(1,039,405)
Payments for property, plant and equipment		(56,013)	(2,667,599)
Payments for intangibles		(3,578)	(23,352)
Payments for deposits on property plant and equipment		-	(659,157)
Net cash used in investing activities		(59,591)	(4,389,513)
Cash flows from financing activities			
Proceeds from issue of shares		-	10,546,374
Proceeds received in advance of the issue of shares		600,000	-
Proceeds from borrowings		2,342,000	-
Amount advanced to related party		-	(250,000)
Proceeds from repayment of loan to related party		250,000	-
Share issue transaction costs		-	(709,324)
Repayment of borrowings		(237,542)	(612,603)
Net cash from financing activities		2,954,458	8,974,447
Net decrease in cash and cash equivalents		(55,117)	(42,102)
Cash and cash equivalents at the beginning of the financial year		693,951	736,053
Cash and cash equivalents at the end of the financial year	8	638,834	693,951

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Going concern
The consolidated entity has incurred a net loss of $4,436,359 for the period ended 30 June 2018 (30 June 2017: $3,488,544) has a working capital deficit of $1,689,110 at reporting date and had cash outflows from operating activities of $2,949,984 (30 June 2017:$4,627,036). These conditions indicate a significant or material uncertainty about the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial report, for the following reasons:

- Since 30 June 2018, the company signed as agreement extending its loan facility of $1,228,000 with Manda Capital Holdings Pty Ltd until 15 October 2019;
- Included in current liabilities is $600,000 in relation to amounts received in advance of the issue of shares. These shares have been issued post 30 June 2018 and the liability extinguished without any cash out flow for the consolidated entity;
- Since 30 June 2018, the company has received a further $1,400,000 funding upon the issue of fully paid shares;
- Since 30 June 2018, the consolidated entity has expanded distribution to include, NSW, WA, ACT and SA. The consolidated entity has now produced sufficient pipeline stock of $746,394 at 30 June 2018, to realise expansion into these markets;
- The Sorrento Brewhouse has completed its renovations and is open and ready for summer trading, over which time it is expected to generate significant positive cash flows; and
- The directors are of the opinion that the company will be able to access equity capital markets under the listing rules or find an alternative source for any additional working capital requirements.

For the above reasons the board considers that the consolidated entity remains a going concern and the financial report has been prepared on this basis. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the consolidated entity not continue as a going concern.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Broo Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Broo Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments
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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

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

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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 consolidated entity'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 consolidated entity'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.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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.

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 1. Significant accounting policies (continued)

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and government excise, net of rebates and discounts received or receivable.

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

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	13% to 67%
Vehicles	25%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks
Trademarks and patents do not have a fixed term and will represent a benefit to the company for an indefinite period. For this reason, significant costs associated with patents and trademarks are measured at cost less any impairment.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 1. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Broo 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.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is not expected to be material, because it does not hold the types of financial instruments covered by these changes.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations 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. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018. The impact of its adoption is not expected to be material, due to nature of the consolidated entity's revenue.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 January 2019. The company is currently assessing the impact of this standard.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity 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. The fair value is determined by using either the Binomial or Black-Scholes model taking 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.

An independent expert valuation was performed on the options issued during the year.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. The carrying value of assets subject to estimations is $2,913,792 (2017 : $1,671,339 : $208,737).

Trademarks and patents
The consolidated entity has identified two cash generating units being Broo and Australia Draught. Intangible assets represent trademarks and have been allocated to cash generating units (CGU's) according to costs incurred to register and protect respective trademarks. The recoverable amount of each CGU is based on value-in-use calculations (using a discounted cash flow).

These calculations are based on projected budgets and cash flows approved by the directors.

The budgets prepared by management have assessed the expected revenues for Broo and Australia Draught. Management's determination of cash flow projections are based on past performance and its expectation for the future.

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

Deferred tax balances have not been recognised, because their realisation has not been deemed probable.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Differences to preliminary report

The company released its preliminary unaudited financial report on 31 August 2018, which reported an overall loss $4,212,244. During the audit process, adjustments were identified, resulting in additional expenses of $224,115 being recognised, increasing the overall loss to $4,436,359.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into four operating segment, hospitality, Australian brewing, Chinese brewing and head office.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Hospitality	Management of pub and boutique brewery venues.
Australian brewing	Production and sale of packaged beer in Australia.
Chinese brewing	Production and sale of packaged beer in China.
Head office	Provision of corporate support function to other business units

Major customers
The consolidated entity does not have any single customers that represent in excess of 10% of total revenue.

Operating segment information

	Hospitality	Australian brewing	Chinese brewing	Corporate	Total
Consolidated - 2018	$	$	$	$	$
Revenue					
Sales to external customers	1,608,825	951,288	-	-	2,560,113
Other revenue	17,715	1,439	-	-	19,154
Total revenue	1,626,540	952,727	-	-	2,579,267
EBITDA	(660,501)	(1,176,632)	(340,437)	(1,875,903)	(4,053,473)
Depreciation and amortisation					(202,979)
Finance costs					(179,907)
Loss before income tax expense					(4,436,359)
Income tax expense					-
Loss after income tax expense					(4,436,359)
Assets					
Segment assets	717,657	5,585,103	24,559	931,446	7,258,765
Total assets					7,258,765
Total assets includes:					
Acquisition of non-current assets	241,967	544,308	-	3,578	789,853
Liabilities					
Segment liabilities	382,443	2,197,999	-	2,539,613	5,120,055
Total liabilities					5,120,055

Note 4. Operating segments (continued)

Consolidated - 2017	Hospitality $	Australian brewing $	China $	Corporate $	Total $
Revenue					
Sales to external customers	285,559	660,598	-	-	946,157
Other revenue	3,636	17	-	30,807	34,460
Total revenue	289,195	660,615	-	30,807	980,617
EBITDA	(299,358)	(550,577)	(34,099)	(2,382,967)	(3,267,001)
Depreciation and amortisation					(79,343)
Finance costs					(142,200)
Loss before income tax expense					(3,488,544)
Income tax expense					-
Loss after income tax expense					(3,488,544)
Assets					
Segment assets	612,537	5,274,678	303,376	1,390,715	7,581,306
Total assets					7,581,306
Total assets includes:					
Acquisition of non-current assets	409,773	3,247,101	31,827	-	3,688,701
Liabilities					
Segment liabilities	154,521	124,689	-	727,027	1,006,237
Total liabilities					1,006,237

In prior year, the consolidated entity was organised into one operating segment, relating to the production and sale of packaged beer in Australia. For this reason, no comparative information, has been included in this note.

Note 5. Revenue

	Consolidated 2018 $	Consolidated 2017 $
Sales revenue		
Sales	2,560,112	946,157
Other revenue		
Interest	16,874	30,824
Other revenue	2,281	3,636
	19,155	34,460
Revenue	2,579,267	980,617

Note 6. Expenses

	Consolidated 2018 $	Consolidated 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	9,249	320
Plant and equipment	161,420	35,920
Motor vehicles	32,310	43,103
Total depreciation	202,979	79,343
Impairment		
Trade receivables	-	20,325
Rental expense relating to operating leases		
Minimum lease payments	523,333	180,748
Superannuation expense		
Defined contribution superannuation expense (excluding KMP)	134,147	55,748
Defined contribution superannuation expense (paid to KMP)	13,365	19,615
Total superannuation expense	147,512	75,363
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,774,141	962,662
Write off of assets		
Trade receivables	-	16,029

Note 7. Income tax expense

	Consolidated 2018 $	Consolidated 2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,436,359)	(3,488,544)
Tax at the statutory tax rate of 27.5%	(1,219,999)	(959,350)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of other timing and permanent differences	89,334	119,934
Blackhole expenses	(64,593)	(67,892)
	(1,195,258)	(907,308)
Current year tax losses not recognised	1,195,258	907,308
Income tax expense	-	-

Note 7. Income tax expense (continued)

	Consolidated 2018 $	Consolidated 2017 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	12,931,797	8,719,573
Potential tax benefit @ 27.5%	3,556,244	2,397,883

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

Note 8. Current assets - cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash on hand	24,309	14,357
Cash at bank	614,525	679,594
	638,834	693,951

Note 9. Current assets - trade and other receivables

	Consolidated 2018 $	Consolidated 2017 $
Trade receivables	100,701	94,939
Less: Provision for impairment of receivables	(22,349)	(22,549)
	78,352	72,390
Other receivables	2,283	37,350
BAS receivable	83,550	349,281
	164,185	459,021

Note 10. Current assets - inventories

	Consolidated	
	2018	**2017**
	$	**$**
Raw materials and work in progress - at cost	512,368	420,457
Finished goods - at net realisable value	551,459	300,323
Trading stock on hand - at cost	33,575	65,122
	1,097,402	785,902

Inventories totalling $1,501,465 (2017 : $665,81) were recognised as an expense and included in 'Cost of sales'.

Note 11. Current assets - other

	Consolidated	
	2018	**2017**
	$	**$**
Prepayments	87,645	479,008

Prepayments last year included $300,000 of prepaid rent. Refer to Note 29.

Note 12. Non-current assets - receivables

	Consolidated	
	2018	**2017**
	$	**$**
Loan to director related entity	-	250,000

During the prior year the company provided a loan of $250,000 to an entity related to Kent Grogan and Geoff de Graff. The loan had a two year term and interest is payable monthly at 10% per annum, however it was repaid during the current year.

Note 13. Non-current assets - inventories

	Consolidated	
	2018	**2017**
	$	**$**
Stock on hand - at cost	-	244,337

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2018 $	Consolidated 2017 $
Land - at cost	2,123,404	2,123,404
Leasehold improvements - at cost	231,625	50,208
Less: Accumulated depreciation	(9,569)	(320)
	222,056	49,888
Plant and equipment - at cost	2,799,916	1,535,901
Less: Accumulated depreciation	(205,110)	(43,690)
	2,594,806	1,492,211
Motor vehicles - at cost	54,706	54,706
Less: Accumulated depreciation	(44,437)	(40,614)
	10,269	14,092
Motor vehicles under lease	180,012	180,012
Less: Accumulated depreciation	(93,351)	(64,864)
	86,661	115,148
	5,037,196	3,794,743

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

Consolidated	Land $	Motor vehicles $	Plant and Equipment $	Leasehold improvements $	Total $
Balance at 1 July 2016	-	172,343	36,394	-	208,737
Additions	2,123,404	-	1,291,737	50,208	3,465,349
Additions through business combinations (note 32)	-	-	200,000	-	200,000
Depreciation expense	-	(43,103)	(35,920)	(320)	(79,343)
Balance at 30 June 2017	2,123,404	129,240	1,492,211	49,888	3,794,743
Additions	-	-	604,858	181,417	786,275
Transfers from deposits	-	-	659,157	-	659,157
Depreciation expense	-	(32,310)	(161,420)	(9,249)	(202,979)
Balance at 30 June 2018	2,123,404	96,930	2,594,806	222,056	5,037,196

Call Option over Ballarat Brewery Land
The Ballarat land, valued at $2,123,404 is subject to a call option where the consolidated entity has granted the vendor the option to buy back the land at the vendor's discretion, in the event that the consolidated entity defaults on its obligations to complete the development of a commercial brewery at the site and ensure that at least 100 full time employees are employed at the site, within five years of settlement. Finance has since been obtained by the group, and the financier has been granted a mortgage over the land. The call option right is subject to the financier’s right to have the sale proceeds applied to repay the financier’s debt in full in the event that the call option is exercised, with the balance of the sale proceeds to be for the benefit of the group.

Note 15. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Patents and trademarks - at cost	211,503	207,925

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

Consolidated	Patents and trademarks $	Total $
Balance at 1 July 2016	184,573	184,573
Additions	23,352	23,352
Balance at 30 June 2017	207,925	207,925
Additions	3,578	3,578
Balance at 30 June 2018	211,503	211,503

Note 16. Non-current assets - other

	Consolidated 2018 $	Consolidated 2017 $
Security deposits	22,000	4,333
Deposits paid on plant and equipment	-	659,157
Other non-current assets	-	2,929
	22,000	666,419

The deposits paid on plant and equipment were transferred to plant and equipment at cost during the year.

Note 17. Current liabilities - trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade payables	590,236	326,926
Other payables	765,840	436,487
	1,356,076	763,413

Refer to note 25 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated	
	2018 $	2017 $
Bank loans	278,097	-
Loan facility	1,228,000	-
Hire purchase	96,760	28,052
	1,602,857	28,052

Refer to note 25 for further information on financial instruments.

Total secured liabilities
The loan facility of $1,228,000 is secured against the Ballarat property. The loan commenced in August 2017 and has an initial twelve month. On 15 August 2018, the loan has been extended through to 15 October 2019.

Note 19. Current liabilities - employee benefits

	Consolidated	
	2018 $	2017 $
Employee benefits	118,243	59,699

Note 20. Current liabilities - other financial liabilities

	Consolidated	
	2018 $	2017 $
Amounts received in advance of the issue of shares	600,000	-

The shares in relation to this amount were issued on 31 August 2018.

Note 21. Non-current liabilities - borrowings

	Consolidated	
	2018 $	2017 $
Bank loans	367,699	-
Loans - others	1,000,000	-
Hire purchase	46,555	139,601
	1,414,254	139,601

Refer to note 25 for further information on financial instruments.

The loans -other are from a director related entity, are interest free and have no fixed term of repayment. The lender has agreed to not call on the funds if it jeopardises the ability of the consolidated entity to pay its debts as and when the fall due.

Note 21. Non-current liabilities - borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2018 $	Consolidated 2017 $
Bank loans	645,796	-
Loan facility	1,228,000	-
Hire purchase	143,315	167,653
	2,017,111	167,653

Assets pledged as security
The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated 2018 $	Consolidated 2017 $
Motor vehicles	86,661	115,148
Land	2,123,404	-
Plant and equipment	2,192,761	-
	4,402,826	115,148

Note 22. Equity - issued capital

	Consolidated 2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	608,249,911	608,249,911	16,075,857	16,075,857

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	555,518,040		6,278,078
IPO shares issued	14 October 2016	52,731,871	$0.20	10,546,374
Cost of capital raising		-	$0.00	(748,595)
Balance	30 June 2017	608,249,911		16,075,857
Balance	30 June 2018	608,249,911		16,075,857

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 22. Equity - issued capital (continued)

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 23. Equity - reserves

	Consolidated	
	2018 **$**	**2017** **$**
Share-based payments reserve	6,034	6,034

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment $
Balance at 1 July 2016	-
Share based payments	6,034
Balance at 30 June 2017	6,034
Balance at 30 June 2018	6,034

Note 24. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Note 25. Financial instruments (continued)

Market risk

Foreign currency risk
The consolidated entity is not exposed to any significant foreign currency risk.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity is not exposed to significant interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has recognised an expense of $nil (2017 : $36,354) in relation to impairment and write off of receivables.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	1,326,876	-	-	-	1,326,876
Interest-bearing - variable						
Hire purchase	5.60%	30,980	118,967	-	-	149,947
Loan facility	19.50%	1,228,000	-	-	-	1,228,000
Bank loans	4.89%	303,677	303,677	75,919	-	683,273
Total non-derivatives		2,889,533	422,644	75,919	-	3,388,096

Note 25. Financial instruments (continued)

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	763,413	-	-	-	763,413
Interest-bearing - variable						
Hire purchase	5.60%	30,980	30,980	118,967	-	180,927
Total non-derivatives		794,393	30,980	118,967	-	944,340

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Key management personnel disclosures

Directors
The following persons were directors of Broo Limited during the financial year:

Kent Grogan
Mathew Boyes
Matthew Newberry
Geoff de Graaff
Phillip Grundy

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

	Consolidated	
	2018 $	**2017 $**
Short-term employee benefits	447,600	478,919
Post-employment benefits	20,047	19,615
Share-based payments	-	5,834
	467,647	504,368

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by ShineWing Australia, the auditor of the company:

	Consolidated 2018 $	Consolidated 2017 $
Audit services - ShineWing Australia		
Audit or review of the financial statements	68,149	83,000
Other services - ShineWing Australia		
Independent accountant's report	-	30,000
	68,149	113,000

Note 28. Contingent liabilities

The company had no contingent liabilities at 30 June 2018 and 30 June 2017.

Note 29. Commitments

	Consolidated 2018 $	Consolidated 2017 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	582,217
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	454,790	200,030
One to five years	458,150	559,800
	912,940	759,830
Hire purchase		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	30,980	30,980
One to five years	118,967	149,947
Total commitment	149,947	180,927
Less: Future finance charges	(6,632)	(13,274)
Net commitment recognised as liabilities	143,315	167,653

The most significant lease commitments relate to the Mildura Pub and Brewery. The lease is for an original term of 2 years, but the contract includes provision for four further two year terms. Other lease commitments relate to leases on normal commercial terms with periods of up to 5 years.

Capital commitments includes contracted amounts for the brewing equipment purchased for the Mildura brewery.

Note 30. Related party transactions

Parent entity
Broo Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2018 $	2017 $
Other income:		
Interest received on loan to director related entity (charged at 10% per annum).	15,312	6,850
Payment for goods and services:		
Payments to directors and related entities for professional services	33,698	189,065
Payments to directors related entity for rent. ($300,000 of this amount has been recognised as a prepayment at 30 June 2017). *	100,000	400,000
Other transactions:		
Brokerage fees paid to a director related entity which were recognised directly to equity	-	441,936
Advance made to related entity for deposits paid on property, plant and equipment, as nominee for Broo Limited. At 30 June 2017, there was no balance owing to the consolidated entity.	-	391,996

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018 $	2017 $
Current payables:		
Accrued directors' wages and fees	177,782	-

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2018 $	2017 $
Non-current receivables:		
Loan to director related entity *	-	250,000
Current borrowings:		
Loan from key management personnel (interest is not payable on the loans and they have no fixed term of repayment)	1,000,000	-

Note 30. Related party transactions (continued)

* During the prior year, the consolidated entity acquired the Mildura Pub and Brewery leasehold businesses. As a condition of the sale, the vendor required that both the businesses and the land and buildings on which they operated be sold. At the time, Broo Ltd did not want to commit the required capital to purchase the land and building but the acquisition of the brewery business in particular was seen as critical to the group's on-going operations as it would provide the group with its own production capacity and a reliable supply chain going forward in order to meet national distribution demand for its beer products. Mildura Brewery (AUB) Pty Ltd, acquired the land and building and have leased them to the consolidated entity on arms' length market rate terms. In order to ensure a successful acquisition, the consolidated entity lent Mildura Brewery (AUB) Pty Ltd $250,000, with interest payable at 10.5% p/a and such loan repayable within 2 years.

The prepayment of twelve months of rent was the Board's preferred option instead of a standard commercial requirement of a six month rent prepayment and bond payment (equal to six months rent), no bond is held by Mildura Brewery (AUB) Pty Ltd as a consequence.

This was repaid during the current year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	**2017**
	$	**$**
Loss after income tax	(1,924,433)	(2,531,500)
Total comprehensive income	(1,924,433)	(2,531,500)

Statement of financial position

	Parent	
	2018	**2017**
	$	**$**
Total current assets	8,950,752	8,747,016
Total assets	9,208,701	9,320,548
Total current liabilities	1,481,237	580,647
Total liabilities	2,539,612	727,026
Equity		
Issued capital	16,075,857	16,075,857
Share-based payments reserve	6,034	6,034
Accumulated losses	(9,412,802)	(7,488,369)
Total equity	6,669,089	8,593,522

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Note 31. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 32. Business combinations

Acquisition of Mildura Brewery Pub
On 6th March 2017, the company completed the acquisition of the Mildura Brewery Pub as a going concern. The acquired business contributed revenues of $285,559 and a loss after tax of $292,528 to the company for the period from 6th March 2017 to 30 June 2017. The values identified in relation to the acquisition of business are final at 30 June 2017.

Details of the acquisition are as follows:

	Fair value $
Plant and equipment	200,000
Net assets acquired	200,000
Goodwill	-
Acquisition-date fair value of the total consideration transferred	200,000
Representing:	
Cash paid or payable to vendor	200,000

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	**Principal place of business / Country of incorporation**	**Ownership interest 2018 %**	**Ownership interest 2017 %**
Broo Exports Pty Ltd	Australia	100.00%	100.00%
Australia Draught Pty Ltd	Australia	100.00%	100.00%
Broo KH Ltd	Hong Kong	100.00%	100.00%
Broo Beverages Pty Ltd	Australia	100.00%	100.00%
Sorrento Brewery Pty Ltd	Australia	100.00%	100.00%
Broo Brewery Pty Ltd	Australia	100.00%	100.00%
Mildura Brewery Pub (Broo) Pty Ltd	Australia	100.00%	100.00%
Mildura Brewery (Broo) Pty Ltd	Australia	100.00%	100.00%
Direct Liquor Outlet (DLO) Pty Ltd	Australia	100.00%	100.00%
郑州布鲁饮品有限公司 (Broo China)	China	100.00%	100.00%

Note 34. Events after the reporting period

On 15 August 2018, the company signed as agreement extending the loan facility of $1,228,00 until 15 October 2019.

On 31 August 2018, the company issued 10,000,000 ordinary shares raising $2,000,000. Of this amount $600,000 had been received before 30 June 2018, and recognised as a current liability, with the remainder having been received since 30 June 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2018 $	2017 $
Loss after income tax expense for the year	(4,436,359)	(3,488,544)
Adjustments for:		
Depreciation and amortisation	202,979	81,593
Share-based payments	-	6,034
Net present value adjustment	-	8,688
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	294,836	(386,627)
Increase in inventories	(67,163)	(903,614)
Decrease/(increase) in other operating assets	391,363	(451,113)
Increase in trade and other payables	592,663	439,792
Increase in employee benefits	71,697	66,755
Net cash used in operating activities	(2,949,984)	(4,627,036)

Note 36. Loss per share

	Consolidated	
	2018 $	2017 $
Loss after income tax attributable to the owners of Broo Limited	(4,436,359)	(3,488,544)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	608,249,911	593,080,469
Weighted average number of ordinary shares used in calculating diluted earnings per share	608,249,911	593,080,469
	Cents	**Cents**
Basic loss per share	(0.73)	(0.59)
Diluted loss per share	(0.73)	(0.59)

Note 37. Share-based payments

During the prior period 60,342,500 options were issued to key management personnel as part of their remuneration.

Note 37. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/07/2016	03/07/2020	$0.00	60,342,500	-	-	-	60,342,500
			60,342,500	-	-	-	60,342,500

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/07/2016	03/07/2020	$0.30	-	60,342,500	-	-	60,342,500
			-	60,342,500	-	-	60,342,500

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
04/07/2016	03/07/2020	$0.02	$0.30	50.00%	-	1.75%	$0.0001

An independent expert valuation was performed on the options. An expense of $6,034 has been recognised during the current financial half-year. Given that the company was not listed when the options were granted the volatility was based on a forecast.

Broo Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 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.

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

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

On behalf of the directors

Kent Grogan
Chairman and Executive Director

27 September 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROO LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Broo Limited ("the Company") and Controlled Entities ("the Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

In our opinion the financial report of Broo Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group' s financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to matters set forth in Note 1 which indicates the existence of a material uncertainty that may cast doubt over the group's ability to continue as a going concern. If the group is unable to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed during the audit
Related Party Transactions - Note 30 The group has engaged in a number of transactions with related parties during the year. Knowledge of these transactions, outstanding balances, commitments, and relationships with related parties may affect assessments of the group's operations by users of financial statements, including assessments of the risks and opportunities facing the group. Given the nature and materiality of these transactions we identified related parties as a key audit matter.	Our procedures included, amongst others: • Assessed internal processes for the identification and disclosure of related party transactions; • Reviewed related parties schedule and related transactions; • Reviewed minutes from board of directors' meetings, particularly when the board discussed significant business transactions; • Obtained representations from board members regarding their ownership of other entities and participation on additional boards; and • Ensuring transactions and balances are disclosed in accordance with the disclosure requirements of AASB 124 Related Party Transactions.
Inventories - Note 10 Inventories represent a significant asset of the Group and are reflected at the lower of cost and net realisable value. Stock levels have been built up on the expectation of trading demand. There is a risk that inventory could be impaired if sufficient orders are not received prior to the stock reaching its sell by date. The above factors led us to conclude that existence and valuation of inventories are a key audit matter.	To address existence and valuation of inventories we performed, among others, the following: • Assessed the provision for stock obsolescence to ensure it is reasonable and in line with our expectations; • Reviewed a sample of sales made and sales orders received post reporting date; • Attended physical stocktakes at various locations to ensure existence of Inventory; and • Considered stock turnover ratios.
Property Plant and Equipment - Note 14 Property, Plant and Equipment represents the largest asset on the balance sheet. Significant additions have been made during the year as the group continues to invest in its hospitality venues. The above factors led us to conclude that existence and valuation of Property Plant and Equipment additions is a key audit matter.	To address existence and valuation of Property Plant and Equipment additions we performed, among others, the following: • Vouched additions to supporting documentation and ensured correctly recorded in the Fixed Asset Register; • Agreed leased asset details to corresponding lease agreements, and • Ensured the recognition criteria of AASB 116 Property, Plant and Equipment have been met.

Information Other than the Financial Report and Auditor's Report Thereon

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 30 June 2018, 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.

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 have 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

We 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.

We 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.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

We 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.

We 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.

We 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 6 to 10 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Broo Limited for the year ended 30 June 2018 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Nick Michael
Partner

Melbourne, 27 September 2018

Broo Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 31st August 2018.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	6,342
1,001 to 5,000	401
5,001 to 10,000	390
10,001 to 100,000	603
100,001 and over	159
	7,895
Holding less than a marketable parcel	3,572

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
GROGES HOLDINGS PTY LTD (GROGES A/C)	412,425,000	67.81
DE GRAAFF HOLDINGS PTY LTD	41,376,570	6.80
AUSTANE CONSTRUCTIONS PTY LTD	11,550,000	1.90
DE GRAAFF HOLDINGS PTY LTD	9,376,570	1.54
NUT CAYENNE PTY LTD (A SINCLAIR SUPER FUND)	7,000,000	1.15
DENIS COLDEBELLA	5,000,000	0.82
QUENMEL HOLDINGS PTY LTD (WOODHAMS SUPER FUND A/C)	3,551,778	0.58
JOHNSELL PTY LTD (ANTHONY SELLECK FAMILY A/C)	3,458,330	0.57
YANHONG WANG	3,333,340	0.55
TANNING AUSTRALIA PTY LTD	3,333,330	0.55
MR GEORGE THEOPHANOUS	3,040,000	0.50
MR EUGENE DE FRANCESCO	2,950,100	0.49
MR GEOFFREY MARK GOREY + MRS DONNA RONNIS GOREY	2,630,000	0.43
SILVER FOX AUSTRALIA PTY LTD	2,500,000	0.41
TORMEL INVESTMENTS PTY LTD	2,500,000	0.41
MR KELVAN GILBERT BENTLEY	2,329,953	0.38
MR ROBERT SPANN + MS NATALIE GREEN (CANJAB A/C)	2,300,000	0.38
D2 LINK GROUP PTY LTD	2,200,000	0.36
ROBERT T HYNNINEN + MARYANN TIELEN (HYNNINEN TIELEN SUPER FUND)	2,000,000	0.33
MR SEAN JOSEPH TWOMEY	1,965,000	0.32
	524,819,971	86.28

Unquoted equity securities
There are no unquoted equity securities.

Broo Limited
Shareholder information
30 June 2018

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
GROGES HOLDINGS PTY LTD	412,425,000	67.81
DE GRAAFF HOLDINGS PTY LTD	50,753,140	8.34

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.