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**BROO LIMITED**

# ANNUAL REPORT

**30 JUNE 2021**



BROO Limited ACN 060 793 099

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**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 is:

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 30 September 2021. The directors have the power to amend and reissue the financial statements.

**Broo Limited**  
**Corporate directory**  
**30 June 2021**

Directors	Kent Grogan (Chairman and Executive Director) Mathew Boyes (Non-Executive Director) Matthew Newberry (Non-Executive Director)
Company secretary	Justyn Stedwell
Registered office	20 Langtree Avenue MILDURA VIC 3500
Principal place of business	20 Langtree Avenue MILDURA VIC 3500
Auditor	George Georgiou FCA Connect Audit Level 8, 350 Collins Street 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: <a href="mailto:enquiries@broo.com.au">enquiries@broo.com.au</a> Web page: <a href="http://www.broo.com.au">www.broo.com.au</a>

**Broo Limited**  
**Directors' report**  
**30 June 2021**

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 2021.

**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

**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 \$475,992 (30 June 2020: \$3,482,245).

During the year the Company made significant progress to expand its production capacity and distribution network providing platform for future revenue growth.

In August Broo entered into a contract brewing agreement with CUB. CUB have a long and proud history in Australia and stand as Australia's largest beer producer. CUB is an industry innovation leader embracing best practice for quality assurance and environmentally friendly and sustainable brewing technology. CUB production and supply enables the Company to fulfill existing sales demand from current distribution networks and accelerate plans for rapid sales expansion. In December 2020 the Company completed its first production run with CUB under the contract brewing agreement.

In February 2021 the Company entered into a distribution agreement with Australian Liquor Marketers Pty Ltd ("ALM") to distribute Broo Premium Lager beer products for the retail and on-premise markets throughout Australia ("ALM Agreement"). ALM is the largest supplier of liquor to independently owned liquor retailers in Australia and the largest broad range liquor wholesaler in Australia supplying over 12,000 liquor customers. In addition to supplying liquor stores, ALM incorporates a specialist on-premise liquor division that supports bars, pubs, restaurants and hotels. The Company continues working collaboratively with ALM to expand coverage within the ALM distribution networks. Broo expects to increase sales volume by launching multiple marketing campaigns. The Company is also working with ALM to penetrate on-premise markets, with an initial focus in Queensland.

In June 2021, the Company's wholly owned subsidiary, Broo Brewery Pty Ltd (Broo Brewery), entered into a contract of sale of real estate with Bentley Property Group for the sale of its property asset located at 2 Liberator Drive, Mitchell Park, Victoria 3355 ("Ballarat Property").

Broo Brewery originally acquired the Ballarat Property in 2017 as a site for future development of a brewery. However, given the contract brewing arrangement with CUB provides the Company with significant brewing capacity to meet increased distribution and sales demand for the Company's beer products, the Company has determined at this stage to focus on the outsourced production of its beer products through CUB and allocating funds towards marketing and distribution of its products, rather than seeking to allocate and raise the substantial levels of capital required for development of its own brewery at the Ballarat Property. The sale of the Ballarat Property is for \$7.5m and such sale is conditional upon approval by Development Victoria of the sale and an appropriate agreement being entered between Development Victoria and Bentley Property Group under section 49 of the *Development Victoria Act 2003* (Vic). The Company has agreed with the purchaser to extend the date for obtaining the relevant approvals for the sale from Development Victoria for the sale of the Ballarat property to 10 October 2021. The Company is currently in communications with Development Victoria in relation to the matter and will provide a further update to shareholders in due course.

The Company is focused on accelerating the growth of the Company's beer products with increased distribution, rapid sales growth, and increased revenue.

### **Significant changes in the state of affairs**

During the year the company issue the following shares :-

- 165,888,059 fully paid ordinary shares raising \$2,985,985 before costs;
- 60,455,000 fully paid ordinary shares settling borrowings from a director valued at \$1,088,190; and
- 9,344,163 fully paid ordinary shares settling trade payables and directors fees totalling \$168,195

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

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2021 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: 362,730,000 fully paid ordinary shares  
Interests in options: 30,227,500 options over ordinary shares

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 Deakin University and was admitted as a Chartered Accountant in 1999, becoming a 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  
Interests in shares: 7,759,444 fully paid ordinary shares  
Interests in options: 1,622,222 options over ordinary shares

**Broo Limited**  
**Directors' report**  
**30 June 2021**

Name: Matthew Newberry  
 Title: Non – Executive Director  
 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  
 Interests in shares: 5,653,444 fully paid ordinary shares  
 Interests in options: 1,822,972 options over ordinary shares

'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 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Kent Grogan	6	6
Mathew Boyes	6	6
Matthew Newberry	6	6

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

**Broo Limited**  
**Directors' report**  
**30 June 2021**

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 2021 consolidated entity did not engage remuneration consultants.

*Voting and comments made at the company's 6 November 2020 Annual General Meeting ('AGM')*

At the 6 November 2020 AGM, 98.53% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020.

**Broo Limited**  
**Directors' report**  
**30 June 2021**

**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.

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mathew Boyes	43,800	-	-	-	-	-	43,800
Matthew Newberry	43,800	-	-	-	-	-	43,800
<i>Executive Directors:</i>							
Kent Grogan *	360,000	-	-	-	-	-	360,000
	<u>447,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,600</u>

\* With effect from 1 July 2020 Kent Grogan was engaged as a contractor rather than as an employee.

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mathew Boyes	43,800	-	-	-	-	-	43,800
Matthew Newberry	43,800	-	-	-	-	-	43,800
<i>Executive Directors:</i>							
Kent Grogan *	240,000	-	-	17,100	-	-	257,100
	<u>327,600</u>	<u>-</u>	<u>-</u>	<u>17,100</u>	<u>-</u>	<u>-</u>	<u>344,700</u>

\* For the period from 1 January 2020 to 30 June 2020 Kent Grogan opted to reduce remuneration to a flat fee of \$120,000 per annum, before that he was entitled to \$360,000 per annum plus superannuation. The reduction in total remuneration is a short term response to the impact of the COVID pandemic on the consolidated entity's financial performance.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
Mathew Boyes	100%	100%	-	-	-	-
Matthew Newberry	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Kent Grogan	100%	100%	-	-	-	-



**Broo Limited**  
**Directors' report**  
**30 June 2021**

**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. Matthew was reappointed at the company's 2019 AGM.

Name: Matthew Newbury  
 Title: Non-Executive Director  
 Agreement commenced: 2 March 2018  
 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 2021.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Sales revenue	1,982,006	2,529,941	3,657,393	2,579,267	980,617
Loss after income tax	(475,992)	(3,482,245)	(3,182,989)	(4,436,359)	(3,488,544)

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

	2021	2020	2019	2018	2017
Share price at financial year end (\$)	0.02	0.02	0.02	0.14	0.30
Basic earnings per share (cents per share)	(0.05)	(0.52)	(0.52)	(0.73)	(0.59)
Diluted earnings per share (cents per share)	(0.05)	(0.52)	(0.52)	(0.73)	(0.59)

**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
<i>Ordinary shares</i>					
Kent Grogan	302,175,000	60,455,000	-	-	362,630,000
Mathew Boyes *	4,515,000	3,244,444	-	-	7,759,444
Matthew Newberry *	2,007,500	3,645,944	-	-	5,653,444
	<u>308,697,500</u>	<u>67,345,388</u>	-	-	<u>376,042,888</u>

\* Shares received as settlement of prior year director's fees.

**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	Acquired	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Kent Grogan	41,342,500	30,227,500	-	(41,342,500)	30,227,500
Mathew Boyes	2,000,000	1,622,222	-	(2,000,000)	1,622,222
Matthew Newberry	-	1,822,972	-	-	1,822,972
	<u>43,342,500</u>	<u>33,672,694</u>	-	<u>(43,342,500)</u>	<u>33,672,694</u>

**Loans to key management personnel and their related parties**

There were no loans to key management personnel and their related parties during the year.

***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
31 January 2020	8 January 2022	\$0.020	15,000,000
30 June 2020	30 June 2022	\$0.020	10,000,000
28 September 2020	31 October 2022	\$0.030	61,204,809
2 October 2020	31 October 2022	\$0.030	16,829,373
13 November 2020	31 October 2022	\$0.030	58,381,847
			<u>161,416,029</u>

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 2021 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.

**Broo Limited**  
**Directors' report**  
**30 June 2021**

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**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Connect Audit**

There are no officers of the company who are former partners of Connect Audit.

**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**

Connect Audit continues and was appointed 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



Ken Grogan  
Chairman and Executive Director

30 September 2021



Level 8  
350 Collins St  
Melbourne VIC 3000

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the audit of Broo Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Broo Limited and controlled entities.

**George Georgiou FCA**  
ASIC Registered Auditor No. 10310  
Melbourne, Victoria  
Date: 30 September 2021

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**Broo Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Revenue from continuing operations</b>	6	1,982,006	2,135,477
Other income	7	336,292	57,004
<b>Expenses</b>			
Cost of sales		(1,698,875)	(2,328,755)
Marketing		(121,521)	(23,666)
Occupancy		(105,776)	(154,320)
Administration		(1,874,542)	(1,992,021)
Impairment of assets	8	-	(323,055)
Other expenses		(6,764)	(19,350)
Finance costs		(434,154)	(485,147)
<b>Loss before income tax benefit from continuing operations</b>		(1,923,334)	(3,133,833)
Income tax benefit	9	1,397,914	-
Loss after income tax benefit from continuing operations		(525,420)	(3,133,833)
Profit/(loss) after income tax expense from discontinued operations	10	49,428	(348,412)
<b>Loss after income tax benefit for the year attributable to the owners of Broo Limited</b>		(475,992)	(3,482,245)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Broo Limited</b>		<u>(475,992)</u>	<u>(3,482,245)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(475,992)	(3,482,245)
Discontinued operations		-	-
		<u>(475,992)</u>	<u>(3,482,245)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of Broo Limited</b>			
Basic loss per share	40	(0.06)	(0.47)
Diluted loss per share	40	(0.06)	(0.47)
<b>Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Broo Limited</b>			
Basic earnings per share	40	0.01	(0.05)
Diluted earnings per share	40	0.01	(0.05)
<b>Earnings per share for loss attributable to the owners of Broo Limited</b>			
Basic loss per share	40	(0.05)	(0.52)
Diluted loss per share	40	(0.05)	(0.52)

*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 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	115,241	62,675
Trade and other receivables	12	349,829	189,760
Inventories	13	1,756,223	77,332
Other	14	83,251	173,974
		<u>2,304,544</u>	<u>503,741</u>
Assets of disposal groups classified as held for sale	15	2,123,404	60,000
<b>Total current assets</b>		<u>4,427,948</u>	<u>563,741</u>
<b>Non-current assets</b>			
Property, plant and equipment	16	1,821,391	4,081,482
Right-of-use assets	17	2,363,751	2,745,024
Intangibles	18	219,580	216,380
Deferred tax	19	1,397,914	-
Other		-	22,000
<b>Total non-current assets</b>		<u>5,802,636</u>	<u>7,064,886</u>
<b>Total assets</b>		<u>10,230,584</u>	<u>7,628,627</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	2,887,210	2,628,129
Borrowings	21	784,299	2,208,094
Lease liabilities	22	339,800	320,276
Employee benefits		158,062	146,645
		<u>4,169,371</u>	<u>5,303,144</u>
Liabilities directly associated with assets classified as held for sale	23	1,916,565	-
<b>Total current liabilities</b>		<u>6,085,936</u>	<u>5,303,144</u>
<b>Non-current liabilities</b>			
Borrowings	24	-	1,314,443
Lease liabilities	25	2,082,569	2,422,358
Employee benefits		5,698	4,938
<b>Total non-current liabilities</b>		<u>2,088,267</u>	<u>3,741,739</u>
<b>Total liabilities</b>		<u>8,174,203</u>	<u>9,044,883</u>
<b>Net assets/(liabilities)</b>		<u>2,056,381</u>	<u>(1,416,256)</u>
<b>Equity</b>			
Issued capital	26	22,846,937	18,898,308
Reserves	27	293,851	293,851
Accumulated losses		<u>(21,084,407)</u>	<u>(20,608,415)</u>
<b>Total equity/(deficiency)</b>		<u>2,056,381</u>	<u>(1,416,256)</u>

*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 2021**

<b>Consolidated</b>	<b>Reserves</b>	<b>Contributed</b>	<b>Accumulated</b>	<b>Total</b>
	<b>\$</b>	<b>equity</b>	<b>losses</b>	<b>deficiency in</b>
		<b>\$</b>	<b>\$</b>	<b>equity</b>
				<b>\$</b>
Balance at 1 July 2019	6,034	17,960,593	(17,126,170)	840,457
Loss after income tax expense for the year	-	-	(3,482,245)	(3,482,245)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,482,245)	(3,482,245)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 26)	-	937,715	-	937,715
Share-based payments (note 41)	287,817	-	-	287,817
Balance at 30 June 2020	<u>293,851</u>	<u>18,898,308</u>	<u>(20,608,415)</u>	<u>(1,416,256)</u>
<b>Consolidated</b>	<b>Reserves</b>	<b>Contributed</b>	<b>Accumulated</b>	<b>Total equity</b>
	<b>\$</b>	<b>equity</b>	<b>losses</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>	
				<b>\$</b>
Balance at 1 July 2020	293,851	18,898,308	(20,608,415)	(1,416,256)
Loss after income tax benefit for the year	-	-	(475,992)	(475,992)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(475,992)	(475,992)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 26)	-	3,948,629	-	3,948,629
Balance at 30 June 2021	<u>293,851</u>	<u>22,846,937</u>	<u>(21,084,407)</u>	<u>2,056,381</u>

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 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,020,138	2,356,262
Payments to suppliers and employees (inclusive of GST)		(4,702,117)	(3,424,396)
		(2,681,979)	(1,068,134)
Other revenue		-	94,932
Interest and other finance costs paid		(369,987)	(553,909)
Covid relief		281,603	-
Net cash used in operating activities	38	(2,770,363)	(1,527,111)
<b>Cash flows from investing activities</b>			
Payments for intangibles		(3,200)	(1,500)
Proceeds from disposal of business		60,000	-
Proceeds from disposal of property, plant and equipment		45,454	-
Net cash from/(used in) investing activities		102,254	(1,500)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,985,985	700,000
Proceeds from borrowings		758,906	2,193,699
Share issue transaction costs		(293,741)	(44,118)
Repayment of borrowings		(459,056)	(1,383,558)
Repayment of lease liabilities		(271,419)	(301,551)
Net cash from financing activities		2,720,675	1,164,472
Net increase/(decrease) in cash and cash equivalents		52,566	(364,139)
Cash and cash equivalents at the beginning of the financial year		62,675	426,814
Cash and cash equivalents at the end of the financial year	11	<u>115,241</u>	<u>62,675</u>

*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 after tax of \$475,992 for the period ended 30 June 2021 (30 June 2020: \$3,482,245) has a working capital deficit of \$1,657,988 at reporting date (30 June 2020: \$4,739,403) and had cash outflows from operating activities of \$2,770,363 (30 June 2020: \$1,527,111). 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:

- On 11 June 2021, the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sale is highly probable;
- Since 30 June 2021 the consolidated entity have placed the Mildura Pub and Brewery businesses on the market for sale;
- The directors are of the opinion that the company will be able to access equity capital markets 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.

### **Comparatives**

When required, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **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 financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 35.

**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 2021 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**

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

**Note 1. Significant accounting policies (continued)**

*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.

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.

**Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**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.

**Note 1. Significant accounting policies (continued)**

**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 allowance for expected credit losses. 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 allowance for expected credit losses.

**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.

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.

**Non-current assets or disposal groups classified as held for sale**

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

**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 straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	10%
Plant and equipment	3% to 67%
Vehicles	25%

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

**Note 1. Significant accounting policies (continued)**

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.

**Right-of-use assets**

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

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

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

**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.

**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.

**Lease liabilities**

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

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

**Note 1. Significant accounting policies (continued)**

**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.

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.

**Note 1. Significant accounting policies (continued)**

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 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**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.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*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.

*Allowance for expected credit losses*

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 \$1,821,391 (2020: \$4,703,102).

*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.

*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.

*Disposal of Ballarat Property*

On 11 June 2021, the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sales is highly probable. As a result the related asset has been disclosed as held for sale and classified as a current asset. A loan secured against the property will be settled immediately from the proceeds and has been classified as a liability directly associated with assets classified as held for sale.

Given the disposal has been deemed as highly probable to proceed a deferred tax asset has been recognised in relation to the capital gain on the disposal.



### **Note 3. Impact of COVID 19 pandemic**

During the prior year the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments across the country have set up measures to contain the pandemic. Many states have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

#### *Hospitality*

The consolidated entity owned and operated a hospitality venue in Mildura during the year. The venue has either been shut or subject density limits throughout the entire years. This has had a significant impact on overall revenue and expenses in the hospitality segment. These venues have both received government stimulus during the current year. Given the significant uncertainty in this sector the board decided to recognise impairments totalling \$431,268 in relation to plant and equipment held by this segment in the prior year. The prior year impairment also related to consolidated entity's venue in Sorrento which has been disposed of.

#### *Brewing*

The impact of COVID on the consolidated entity's brewing segment has not been as significant. The Mildura Brewery continues to produce beer and the consolidated entity remains focused on increasing domestic sales and distribution.

### **Note 4. Difference to preliminary results**

Since announcing its preliminary results the decision has been made to recognise a deferred tax asset in relation to the expected capital gain on the disposal of disposal of the Ballarat property. This has been on the basis that the realisation of the losses has been deemed probable. Refer to note 19. As a result a deferred tax asset and income tax benefit of \$1,397,914 have been recognised.

#### *Statement of profit or loss and other comprehensive income*

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2020. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

#### *Statement of financial position at the beginning of the earliest comparative period*

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2019. However, as there were no adjustments made as at 1 July 2019, the consolidated entity has elected not to show the 1 July 2019 statement of financial position.

### **Note 5. 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.
Head office / other	Provision of corporate support function to other business units plus other smaller non-reportable segments

#### *Major customers*

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

**Note 5. Operating segments (continued)**

*Operating segment information*

	Hospitality	Australian brewing	Head office / other	Other segments	Total
<b>Consolidated - 2021</b>	\$	\$	\$	\$	\$
<b>Revenue</b>					
Sales to external customers	1,395,831	586,117	-	-	1,981,948
Other revenue	-	54,871	58	-	54,929
<b>Total revenue</b>	<u>1,395,831</u>	<u>640,988</u>	<u>58</u>	<u>-</u>	<u>2,036,877</u>
<b>EBITDA</b>	<u>109,477</u>	<u>(50,253)</u>	<u>(1,005,937)</u>	<u>-</u>	<u>(946,713)</u>
Depreciation and amortisation					(493,039)
Finance costs					(434,154)
<b>Loss before income tax benefit</b>					<u>(1,873,906)</u>
Income tax benefit					1,397,914
<b>Loss after income tax benefit</b>					<u>(475,992)</u>
<b>Assets</b>					
Segment assets	1,116,094	8,569,075	545,415	-	10,230,584
<b>Total assets</b>					<u>10,230,584</u>
<i>Total assets includes:</i>					
Acquisition of non-current assets	-	3,200	-	-	3,200
<b>Liabilities</b>					
Segment liabilities	1,698,173	5,228,270	1,247,760	-	8,174,203
<b>Total liabilities</b>					<u>8,174,203</u>
<b>Consolidated - 2020</b>	\$	\$	\$	\$	\$
<b>Revenue</b>					
Sales to external customers	1,329,411	1,091,061	-	-	2,420,472
Other revenue	37,541	8,924	6,000	-	52,465
<b>Total revenue</b>	<u>1,366,952</u>	<u>1,099,985</u>	<u>6,000</u>	<u>-</u>	<u>2,472,937</u>
<b>EBITDA</b>	<u>(1,371,429)</u>	<u>301,254</u>	<u>(895,148)</u>	<u>-</u>	<u>(1,965,323)</u>
Depreciation and amortisation					(600,506)
Impairment of assets					(431,268)
Finance costs					(485,148)
<b>Loss before income tax expense</b>					<u>(3,482,245)</u>
Income tax expense					-
<b>Loss after income tax expense</b>					<u>(3,482,245)</u>
<b>Assets</b>					
Segment assets	214,405	6,115,845	1,298,377	-	7,628,627
<b>Total assets</b>					<u>7,628,627</u>
<i>Total assets includes:</i>					
Acquisition of non-current assets	-	1,500	-	-	1,500
<b>Liabilities</b>					
Segment liabilities	2,171,389	4,789,537	2,083,957	-	9,044,883
<b>Total liabilities</b>					<u>9,044,883</u>

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**Note 6. Revenue**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Revenue from contracts with customers</i>		
Sales	1,981,948	2,113,727
<i>Other revenue</i>		
Other revenue	58	21,750
Revenue from continuing operations	<u>1,982,006</u>	<u>2,135,477</u>

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Major product lines</i>		
Brewing	1,395,831	1,345,589
Hospitality	586,117	768,138
	<u>1,981,948</u>	<u>2,113,727</u>
<i>Geographical regions</i>		
Australia	<u>1,981,948</u>	<u>2,113,727</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>1,981,948</u>	<u>2,113,727</u>

**Note 7. Other income**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	20,531	-
COVID relief	315,761	57,004
Other income	<u>336,292</u>	<u>57,004</u>

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**Note 8. Expenses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	-	22,442
Plant and equipment	133,301	211,803
Motor vehicles	799	1,925
Buildings right-of-use assets	348,447	347,907
Motor vehicles right-of-use assets	10,490	16,429
Total depreciation	<u>493,037</u>	<u>600,506</u>
<i>Impairment</i>		
Leasehold improvements	-	36,748
Plant and equipment	-	211,259
Trade receivables	-	75,048
Total impairment	<u>-</u>	<u>323,055</u>
<i>Leases</i>		
Minimum lease payments	<u>26,013</u>	<u>142,472</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense (excluding KMP)	38,117	69,257
Defined contribution superannuation expense (paid to KMP)	-	17,100
Total superannuation expense	<u>38,117</u>	<u>86,357</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>403,038</u>	<u>735,881</u>

**Note 9. Income tax benefit**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit from continuing operations	(1,923,334)	(3,133,833)
Profit/(loss) before income tax expense from discontinued operations	49,428	(348,412)
	<u>(1,873,906)</u>	<u>(3,482,245)</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	(487,216)	(957,617)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of other timing and permanent differences	<u>(34,686)</u>	<u>23,955</u>
Current year tax losses not recognised	(521,902)	(933,662)
Recognition of deferred tax asset in relation to capital gain on expected property sales	<u>(1,397,914)</u>	<u>-</u>
Income tax benefit	<u><u>(1,397,914)</u></u>	<u><u>-</u></u>

**Note 9. Income tax benefit (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	15,822,881	19,492,194
Potential tax benefit @ 25% (2020: 26%)	3,955,720	5,067,970

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.

During the current year the consolidated entity formed a tax consolidation with effect from 1 July 2020.

**Note 10. Discontinued operations**

*Description*

During the prior year the board opted to dispose of the Sorrento Brewhouse. Since 30 June 2020, the company has entered into a sales contract for the Sorrento Brewhouse for \$60,000.

*Financial performance information*

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Sales	-	322,923
Other revenue	54,871	14,537
Total revenue	54,871	337,460
Cost of sales	-	(242,767)
Marketing	-	(878)
Occupancy	(4,823)	(258,958)
Administration	(620)	-
Other expenses	-	(8)
Impairment of assets	-	(183,261)
Total expenses	(5,443)	(685,872)
Profit/(loss) before income tax expense	49,428	(348,412)
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	49,428	(348,412)

**Note 10. Discontinued operations (continued)**

*Cash flow information*

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Net cash from/(used in) operating activities	49,428	(348,412)
Net cash used in investing activities	-	(5,031)
Net cash from financing activities	-	-
	<u>49,428</u>	<u>(353,443)</u>

**Note 11. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Cash on hand	4,833	866
Cash at bank	110,408	61,809
	<u>115,241</u>	<u>62,675</u>

**Note 12. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Trade receivables	148,000	146,196
Less: Allowance for expected credit losses	(22,325)	(125,776)
	<u>125,675</u>	<u>20,420</u>
Other receivables	3,324	4,014
BAS receivable	220,830	165,326
	<u>349,829</u>	<u>189,760</u>

**Note 13. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Stock on hand - at net realisable value	<u>1,756,223</u>	<u>77,332</u>

**Note 14. Current assets - other**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Prepayments	<u>83,251</u>	<u>173,974</u>

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**Note 15. Current assets - assets of disposal groups classified as held for sale**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment	<u>2,123,404</u>	<u>60,000</u>

On 11 June 2021, the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sales is highly probable. A deposit of \$750,000 is being held in the company's solicitor's trust account.

During the prior year the board opted to dispose of the Sorrento Brewhouse. Since 30 June 2020, the company has entered into a sales contract for the Sorrento Brewhouse for \$60,000. The assets being disposed of have been disclosed as held for sale and their carrying value adjusted to the proceeds to be received.

*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 16. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Land - at cost	-	2,123,404
Leasehold improvements - at cost	52,375	52,375
Less: Accumulated depreciation	(15,627)	(15,627)
Less: Impairment	(36,748)	(36,748)
	<u>-</u>	<u>-</u>
Plant and equipment - at cost	2,717,350	2,815,020
Less: Accumulated depreciation	(687,090)	(580,501)
Less: Impairment	(211,259)	(282,217)
	<u>1,819,001</u>	<u>1,952,302</u>
Motor vehicles - at cost	15,956	54,706
Less: Accumulated depreciation	(13,566)	(48,930)
	<u>2,390</u>	<u>5,776</u>
	<u><u>1,821,391</u></u>	<u><u>4,081,482</u></u>

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**Note 16. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Land \$	Motor vehicles \$	Plant and Equipment \$	Leasehold improvements \$	Total \$
Balance at 1 July 2019	2,123,404	72,697	2,446,322	231,493	4,873,916
Classified as held for sale	-	-	-	(60,000)	(60,000)
Transfers to right-of-use	-	(64,996)	-	-	(64,996)
Impairment of assets *	-	-	(282,217)	(149,051)	(431,268)
Depreciation expense	-	(1,925)	(211,803)	(22,442)	(236,170)
Balance at 30 June 2020	2,123,404	5,776	1,952,302	-	4,081,482
Classified as held for sale	(2,123,404)	-	-	-	(2,123,404)
Disposals	-	(2,587)	-	-	(2,587)
Depreciation expense	-	(799)	(133,301)	-	(134,100)
Balance at 30 June 2021	<u>-</u>	<u>2,390</u>	<u>1,819,001</u>	<u>-</u>	<u>1,821,391</u>

\* The hospitality sector has been impacted significantly by COVID. The consolidated entity operated two venues in Victoria in the prior year, which were shut when restrictions were first imposed. For this reason the board have opted to recognise impairments totalling \$431,268 in relation the hospitality segments plant and equipment in the prior year.

**Note 17. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Land and buildings - right-of-use	3,044,184	3,044,184
Less: Accumulated depreciation	(696,354)	(347,907)
	<u>2,347,830</u>	<u>2,696,277</u>
Motor vehicles - right-of-use	77,256	180,012
Less: Accumulated depreciation	(61,335)	(131,265)
	<u>15,921</u>	<u>48,747</u>
	<u><u>2,363,751</u></u>	<u><u>2,745,024</u></u>



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**Note 17. Non-current assets - right-of-use assets (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Motor vehicles \$	Land and buildings \$	Total \$
Balance at 1 July 2019	-	-	-
Recognised on adoption of AASB 16	-	3,044,184	3,044,184
Transfer from P,P&E adoption of AASB 16	64,996	-	64,996
Depreciation expense	(16,249)	(347,907)	(364,156)
Balance at 30 June 2020	48,747	2,696,277	2,745,024
Disposals	(22,336)	-	(22,336)
Depreciation expense	(10,490)	(348,447)	(358,937)
Balance at 30 June 2021	<u>15,921</u>	<u>2,347,830</u>	<u>2,363,751</u>

**Note 18. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Patents and trademarks - at cost	<u>219,580</u>	<u>216,380</u>

*Reconciliations*

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

<b>Consolidated</b>	Patents and trademarks \$	Total \$
Balance at 1 July 2019	214,880	214,880
Additions	1,500	1,500
Balance at 30 June 2020	216,380	216,380
Additions	3,200	3,200
Balance at 30 June 2021	<u>219,580</u>	<u>219,580</u>

**Note 19. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Deferred tax asset	<u>1,397,914</u>	<u>-</u>

As disclosed in note 15, the Ballarat property has been disclosed as held for sale because the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. A deferred tax asset has been recognised in relation to the capital gain on this transaction, but not in relation to the remainder of the deferred tax assets because their realisation is not probable.

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**Note 20. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	505,570	888,653
BAS payable	203,711	208,390
Other payables	2,177,929	1,531,086
	<u>2,887,210</u>	<u>2,628,129</u>

Refer to note 29 for further information on financial instruments.

**Note 21. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Bank loans	-	170,298
Loan facility	758,907	1,950,000
Hire purchase	25,392	87,796
	<u>784,299</u>	<u>2,208,094</u>

Refer to note 29 for further information on financial instruments.

The current year balance of \$758,907 relates to a trade facility. Interest is payable at 7.89% and each transaction is repayable offers up to 120 terms on each transaction.

The loan facility of \$1,950,000 in the prior year was secured against the Ballarat property. The loan expired on 6 February 2021. Interest was payable at 12% per annum.

**Note 22. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>339,800</u>	<u>320,276</u>

Refer to note 29 for further information on financial instruments.

**Note 23. Current liabilities - liabilities directly associated with assets classified as held for sale**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loan facility	<u>1,916,565</u>	<u>-</u>

As disclosed in note 15 the sale of the Ballarat property has been deemed highly probable and the related asset has been classified as held for sale. The above loan will immediately repaid out of proceeds from the disposal.

The face value of the loan is \$1,949,898 with prepayments of borrowings costs having been offset against the carrying value. The loan is secured against the Ballarat property and is repayable in 24 monthly instalments. Interest is payable at 14% per annum.

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**Note 24. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loans from director	-	1,314,443

Refer to note 29 for further information on financial instruments.

The loans from director were interest free and had no fixed term of repayment. This balance was settled via the issue of 60,455,000 fully paid ordinary shares valued at \$1,088,190 with the remainder settled in cash during the current year.

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Bank loans	-	170,298
Loan facility	758,907	1,950,000
Hire purchase	25,392	87,796
	<u>784,299</u>	<u>2,208,094</u>

*Assets pledged as security*

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Motor vehicles	2,390	48,747
Land	2,123,404	2,123,404
Plant and equipment	1,819,001	1,940,646
	<u>3,944,795</u>	<u>4,112,797</u>

**Note 25. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>2,082,569</u>	<u>2,422,358</u>

Refer to note 29 for further information on financial instruments.

**Note 26. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>945,752,965</u>	<u>710,065,743</u>	<u>22,846,937</u>	<u>18,898,308</u>

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**Note 26. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	618,249,911		17,960,593
Issue of shares	1 July 2019	20,000,000	\$0.020	400,000
Shares issued to settle payables	21 October 2019	2,460,000	\$0.020	49,200
Shares issued to settle payables	19 October 2019	6,022,500	\$0.020	120,450
Issue of shares	8 January 2020	50,000,000	\$0.010	500,000
Issue of shares	30 June 2020	13,333,332	\$0.015	200,000
Cost of capital raising		-	\$0.000	(331,935)
Balance	30 June 2020	710,065,743		18,898,308
Issue of shares	28 August 2020	70,274,770	\$0.018	1,264,946
Issue of shares	28 September 2020	61,954,549	\$0.018	1,115,182
Shares issued to settle loan with director	28 September 2020	60,455,000	\$0.018	1,088,190
Issue of shares	2 October 2020	33,658,740	\$0.018	605,857
Shares issued to settle trade payables	13 November 2020	2,855,275	\$0.018	51,395
Shares issued to non-executive directors in lieu of fees	13 November 2020	6,488,888	\$0.018	116,800
Cost of capital raising		-	\$0.000	(293,741)
Balance	30 June 2021	<u>945,752,965</u>		<u>22,846,937</u>

*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.

*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 27. Equity - reserves**

	Consolidated	
	2021	2020
	\$	\$
Share-based payments reserve	<u>293,851</u>	<u>293,851</u>

**Note 27. Equity - reserves (continued)**

*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:

<b>Consolidated</b>	Share based payment \$
Balance at 1 July 2019	6,034
Share based payments	<u>287,817</u>
Balance at 30 June 2020	<u>293,851</u>
Balance at 30 June 2021	<u><u>293,851</u></u>

**Note 28. Equity - dividends**

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

**Note 29. 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.

***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 adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity has recognised an expense of \$13,955 (2020: \$75,048) in relation to impairment and write off of receivables.

**Note 29. Financial instruments (continued)**

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**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.

<b>Consolidated - 2021</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,287,210	-	-	-	2,287,210
<i>Interest-bearing - fixed rate</i>						
Loan facility	7.89%	758,907	-	-	-	758,907
Loan facility	14.00%	1,949,898	-	-	-	1,949,898
Hire purchase	5.60%	25,392	-	-	-	25,392
Lease liability	3.50%	339,800	339,800	1,019,400	339,800	2,038,800
<b>Total non-derivatives</b>		<b>5,361,207</b>	<b>339,800</b>	<b>1,019,400</b>	<b>339,800</b>	<b>7,060,207</b>
<b>Consolidated - 2020</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,628,129	-	-	-	2,628,129
Loan from director	-	-	-	-	1,314,443	1,314,443
<i>Interest-bearing - variable</i>						
Loan facility	12.00%	1,950,000	-	-	-	1,950,000
Bank loans	4.89%	170,298	-	-	-	170,298
Hire purchase	5.60%	87,796	-	-	-	87,796
Lease liability	3.50%	320,276	320,276	960,828	1,141,254	2,742,634
<b>Total non-derivatives</b>		<b>5,156,499</b>	<b>320,276</b>	<b>960,828</b>	<b>2,455,697</b>	<b>8,893,300</b>

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 30. Key management personnel disclosures**

*Directors*

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

Kent Grogan  
 Mathew Boyes  
 Matthew Newberry

*Compensation*

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	447,600	327,600
Post-employment benefits	-	17,100
	<u>447,600</u>	<u>344,700</u>

**Note 31. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Connect Audit</i> Audit or review of the financial statements	<u>50,000</u>	<u>45,000</u>

**Note 32. Contingent liabilities**

The company had no contingent liabilities at 30 June 2021 and 30 June 2020

**Note 33. Commitments**

Other than lease and hire purchase liabilities the consolidated entity did not have commitments at 30 June 2021 and 30 June 2020

**Note 34. Related party transactions**

*Parent entity*

Broo Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 36.

*Key management personnel*

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

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

**Note 34. Related party transactions (continued)**

*Receivable from and payable to related parties*

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Current payables:		
Accrued directors' wages and fees	342,592	502,788

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Current borrowings:		
Loan from key management personnel (interest is not payable on the loans and they have no fixed term of repayment) *	-	1,314,443

\* This balance was settled via the issue of 60,455,000 fully paid ordinary shares valued at \$1,088,190 with the remainder settled in cash.

**Note 35. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Loss after income tax	(1,575,906)	(1,401,846)
Total comprehensive income	(1,575,906)	(1,401,846)

*Statement of financial position*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Total current assets	10,286,796	9,068,692
Total assets	10,474,202	9,289,110
Total current liabilities	1,243,982	1,423,127
Total liabilities	1,247,758	2,435,389
Equity		
Issued capital	22,846,939	18,898,310
Share-based payments reserve	293,851	293,851
Accumulated losses	(13,914,346)	(12,338,440)
Total equity	9,226,444	6,853,721



**Broo Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 35. Parent entity information (continued)**

*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 2021 and 30 June 2020, other guarantees provided in relation to property leases for Mildura Pub and Brewery.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

*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 36. 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	
		2021 %	2020 %
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%
Broo Bio Medical Pty Ltd	Australia	100.00%	-

**Note 37. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2021 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.

**Broo Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 38. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the year	(475,992)	(3,482,245)
Adjustments for:		
Depreciation and amortisation	493,037	600,326
Impairment of property, plant and equipment	-	431,268
Net gain on disposal of non-current assets	(20,531)	-
Share issued to settle trade payables	168,195	169,650
Prepaid interest	(33,333)	-
Rent relief	(48,846)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(160,069)	48,958
Decrease/(increase) in inventories	(1,678,891)	268,519
Increase in accrued revenue	(1,397,914)	-
Decrease/(increase) in other operating assets	112,723	(84,821)
Increase in trade and other payables	259,081	530,203
Increase/(decrease) in employee benefits	12,177	(8,969)
Net cash used in operating activities	<u>(2,770,363)</u>	<u>(1,527,111)</u>

**Note 39. Changes in liabilities arising from financing activities**

<b>Consolidated</b>	Lease liabilities \$	Borrowings \$	Total \$
Balance at 1 July 2019	-	2,712,396	2,712,396
Net cash from/(used in) financing activities	(301,550)	836,141	534,591
Lease liabilities recognised upon adoption of AASB 16	3,044,184	-	3,044,184
Balance at 30 June 2020	2,742,634	3,548,537	6,291,171
Net cash from/(used in) financing activities	(271,419)	299,850	28,431
Loans issued via the issue of shares	-	(1,088,190)	(1,088,190)
Other changes	(48,846)	(59,333)	(108,179)
Balance at 30 June 2021	<u>2,422,369</u>	<u>2,700,864</u>	<u>5,123,233</u>

**Note 40. Loss per share**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Broo Limited	<u>(525,420)</u>	<u>(3,133,833)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>892,060,366</u>	<u>667,352,151</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>892,060,366</u>	<u>667,352,151</u>

**Broo Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 40. Loss per share (continued)**

	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.06)	(0.47)
Diluted loss per share	(0.06)	(0.47)
	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Broo Limited	<u>49,428</u>	<u>(348,412)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>892,060,366</u>	<u>667,352,151</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>892,060,366</u>	<u>667,352,151</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.01	(0.05)
Diluted earnings per share	0.01	(0.05)
	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Broo Limited	<u>(475,992)</u>	<u>(3,482,245)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>892,060,366</u>	<u>667,352,151</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>892,060,366</u>	<u>667,352,151</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.05)	(0.52)
Diluted loss per share	(0.05)	(0.52)

**Note 41. Share-based payments**

During the prior year \$25,000,000 options were issued to brokers that assisted with raising capital.

**Broo Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 41. Share-based payments (continued)**

Set out below are summaries of options granted:

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at the beginning of the financial year	85,342,500	\$0.218	60,342,500	\$0.300
Granted	-	\$0.000	25,000,000	\$0.020
Forfeited	<u>(60,342,500)</u>	\$0.300	<u>-</u>	\$0.000
Outstanding at the end of the financial year	<u>25,000,000</u>	\$0.200	<u>85,342,500</u>	\$0.218
Exercisable at the end of the financial year	<u>25,000,000</u>	\$0.020	<u>85,342,500</u>	\$0.218

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.71 years (2020 : 0.51 years).

- For the options granted during the prior 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
31/01/2020	08/01/2022	\$0.020	\$0.030	116.00%	-	0.76%	\$0.0117
30/06/2020	30/06/2022	\$0.020	\$0.030	130.00%	-	0.25%	\$0.0113

A total of \$287,817 has been recognised in the relation to the above options during the prior year.

**Broo Limited**  
**Directors' declaration**  
**30 June 2021**

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 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



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Kent Grogan  
Chairman and Executive Director

30 September 2021

## 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 "consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity as set out on page 44.

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

- (a) giving a true and fair view of the entity's financial position as at 30 June 2021 and of its performance for the financial 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 consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

##### Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Assets of disposal groups classified as held for sale</b></p>	
<p>On 11 June 2021, the consolidated entity announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sales is highly probable. A deposit of \$750,000 is being held in the company's solicitor's trust account.</p> <p>The approval for the sale has not been finalised and we consider this to be significant in the conclusion of this transaction. Consequently, the decision to hold this business as held for sale is a significant judgment by the Directors.</p> <p>The consolidated financial statements have been presented in accordance with AASB 5: Non-Current Assets Classified as Held for Sale and Discontinued Operations. The asset and liability of the Ballarat property in the consolidated statement of financial position are presented as held for sale. At the same time, a deferred tax asset has been recognised in relation to the capital gain on this transaction.</p> <p>Due to the significant contribution which the sale of its Ballarat property makes to the Group, the judgement applied in classifying the asset as held for sale as well as the importance of its contribution to the Company's going concern, this has been identified as a key audit matter.</p>	<p>Evaluating the presentation in the consolidated financial statements against the requirements of AASB 5 in order to determine whether the requirements of AASB 5 had been met. This included obtaining an understanding of the status of the sale as at 30 June 2021 and inspecting supporting documentation received from the Directors supporting its Ballarat property being held for sale;</p> <p>Evaluating management's assessment on the sufficiency of future taxable profits in relation to the capital gain on this transaction, but not in relation to the remainder of the tax losses as their realisation is not probable;</p> <p>Performing audit procedures to ensure that the assets held for sale are carried at lower of carrying value and fair value less costs to sell in terms of AASB 5; and</p> <p>Assessing the adequacy of the Group's disclosures in respect of the asset held for sale with reference to AASB 5.</p> <p>We concur with the directors' conclusion that Ballarat property meets the requirements of AASB 5. We consider the disclosures of the assets held for sale to be appropriate.</p>
<p><b>Note 34 Related Party Transactions</b></p>	
<p>The group has engaged in a number of transactions with related parties during the year.</p> <p>We identified related parties as a key audit matter given the nature and materiality of these transactions.</p> <p>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.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>o Reviewed related parties schedule and related transactions;</li> <li>o Reviewed minutes from board of directors' meetings, particularly when the board discussed significant business transactions</li> <li>o Obtained representations from board members regarding their ownership of other entities and participation on additional boards; and</li> </ul>

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	o Ensuring transactions and balances are disclosed in accordance with the disclosure requirements of AASB 124 Related Party Transactions
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### **Emphasis of Matter – Material uncertainty related to going concern**

The consolidated entity has incurred a net loss of \$1,873,906 for the period ended 30 June 2021 (30 June 2020: \$3,482,245) has a working capital deficit of \$1,657,988 at reporting date (30 June 2020: \$4,739,403) and had cash outflows from operating activities of \$2,770,363 (30 June 2020: \$1,527,111). These conditions indicate a significant and 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:

- On 11 June 2021, the company announced that it had entered into an agreement to sell its Ballarat property for \$7.5million. The sale was conditional upon approval from Development Victoria. The board is confident that this approval will be forthcoming and believe the completion of the sales is highly probable;
- Since 30 June 2021 the consolidated entity have placed the Mildura Pub and Brewery businesses on the market for sale;
- The directors are of the opinion that the company will be able to access equity capital markets 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.

### **Responsibilities of the directors for the financial report**

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 the basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability 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 consolidated entity 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material



if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the financial year ended 30 June 2021.

In our opinion the Remuneration Report of Broo Limited for the financial year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the consolidated entity 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.



**George Georgiou FCA**  
ASIC Registered Auditor No. 10310  
Melbourne, Victoria  
Date: 30 September 2021

**Broo Limited**  
**Shareholder information**  
**30 June 2021**

The shareholder information set out below was applicable as at 27 September 2021.

**Distribution of equitable securities**

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	6,297	0.09	373	0.06
1,001 to 5,000	338	0.09	102	0.22
5,001 to 10,000	297	0.28	40	0.24
10,001 to 100,000	746	3.08	72	2.07
100,001 and over	420	96.46	71	97.41
	<u>8,098</u>	<u>100.00</u>	<u>658</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>7,374</u>	<u>1.44</u>	<u>-</u>	<u>-</u>

**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	% of total shares issued
	Number held	
GROGES HOLDINGS PTY LTD (GROGES A/C)	361,530,000	38.23
KNIGHT61 INVESTMENTS PTY LTD (KNIGHT61 INVESTMENTS A/C)	52,180,000	5.52
DE GRAAFF HOLDINGS PTY LTD	45,539,907	4.82
MR SHENGPEI CHEN	31,000,000	3.28
CE 61 INVESTMENTS PTY LTD (CE 61 INVESTMENTS UNIT T A/C)	30,660,000	3.24
AUSTANE CONSTRUCTIONS PTY LTD	11,550,000	1.22
A&S JIN NOMINEES PTY LTD (MAXJIN SUPER FUND A/C)	11,000,000	1.16
MS JIANJUN GUO	10,833,333	1.15
JAN FINANCIAL SOLUTIONS PTY LTD	10,000,000	1.06
MRS JIN CUI	8,800,000	0.93
61 FINANCIAL INFORMATION TECHNOLOGY PTY LTD	8,330,000	0.88
DE GRAAFF HOLDINGS PTY LTD	8,275,314	0.87
GEM ASIA PACIFIC LTD	8,000,000	0.85
MR MAURIZIO MARIO TERMINE + MRS ROSARIA TERMINE	7,500,000	0.79
MR YANHUA CHEN	7,000,000	0.74
MR IAN ALASTAIR LEETE + MRS HELEN LEETE (THE LEETE FAMILY S/F A/C)	7,000,000	0.74
NUT CAYENNE PTY LTD (A SINCLAIR SUPER FUND)	7,000,000	0.74
KMS PTY LTD (KMS SUPER FUND A/C)	6,000,000	0.63
MATTHEWJAMES NEWBERRY + RACHAEL NEWBERRY	5,653,444	0.60
ENIFILM PTY LIMITED (BLACKWELL ENG S/FUND A/C)	5,005,165	0.53
	<u>642,857,163</u>	<u>67.98</u>

**Broo Limited**  
**Shareholder information**  
**30 June 2021**

	Options over ordinary shares	
	Number held	% of total options issued
GROGES HOLDINGS PTY LTD (GROGES A/C)	30,127,500	22.09
GAZUMP RESOURCES PTY LTD	22,193,678	16.27
61 FINANCIAL INFORMATION TECHNOLOGY PTY LTD	13,147,122	9.64
REDHILL CAPITAL PARTNERS (SINGAPORE) PTE LTD	9,046,000	6.63
MR MICHAEL JOHN HYNES	5,800,000	4.25
DE GRAAFF HOLDINGS PTY LTD	4,137,657	3.03
PUNIT ARORA + SHWETA ARORA	4,000,000	2.93
KNIGHT61 INVESTMENTS PTY LTD (KNIGHT61 INVESTMENTS A/C)	3,218,289	2.36
MR ROBERT HYNNINEN + MISS MARY-ANN TIELEN (HYNN TIELEN SF A/C)	2,400,974	1.76
CE 61 INVESTMENTS PTY LTD (CE 61 INVESTMENTS UNIT T A/C)	2,333,333	1.71
MR KUMAIL HUSSAIN	2,000,000	1.47
MR ZHENG LI	2,000,000	1.47
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	1,794,111	1.32
JUNE FLOWER PTY LTD (JUNE & LU SUPER FUND A/C)	1,726,806	1.27
HARPER GROUP SUPERANNUATION FUND PTY LTD	1,622,222	1.19
MATTHEWJAMES NEWBERRY + RACHAEL NEWBERRY	1,622,222	1.19
KMS PTY LTD (KMS SUPER FUND A/C)	1,510,603	1.11
ATLANTIS CAPITAL HOLDINGS PTY (ATLANTIC CAPITAL A/C)	1,388,889	1.02
MRS MINGWEN ZHONG	1,359,114	1.00
JOHN TOOLAN PTY LTD (SUPER FUND A/C)	1,200,000	0.88
	<u>112,628,520</u>	<u>82.59</u>

*Unquoted equity securities*

The Company has the following unlisted securities on issue:

- 1) 15,000,000 Options exercisable at \$0.02 each expiring 08/01/22 held by 2 option holders
- 2) 10,000,000 Options exercisable at \$0.02 each expiring 30/06/2022 held by 1 option holder

**Substantial holders**

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
GROGES HOLDINGS PTY LTD AND ASSOCIATES	362,630,000	38.34
DE GRAAFF HOLDINGS PTY LTD	50,785,761	5.37

**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.