

Appendix 4E Preliminary Final Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the financial year ended 30 June 2010

Results for announcement to the market

Revenue from continuing activities	up	328%	to	5,815,903
Profit from ordinary activities after tax attributable to members	up	133%	to	679,148
Net profit attributable to members	up	133%	to	679,148

Dividends (distributions)

There were no dividends declared for the period.
The company does not have a Dividend Re-investment Plan.

Net tangible assets per share	30 June 2010	30 June 2009
	\$	\$
	0.02	0.01

Statement of accumulated losses	30 June 2010	30 June 2009
	\$	\$
Balance 1 July	(12,102,040)	(10,064,492)
Net profit (loss) for the year	679,148	(2,037,548)
Balance 30 June	<u>(11,422,892)</u>	<u>(12,102,040)</u>

Details of controlled entities

There were no controlled entities acquired or disposed of during the period.

Details of associates and joint venture entities

There were no associates or joint venture entities associated with the company for the period.

Reporting Periods

The current reporting period is the financial year ended 30 June 2010. The previous corresponding period is the year ended 30 June 2009.

Financial statements

The statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and associated notes are contained in the attached Annual Report for the year ended 30 June 2010.

Commentary on the results for the year ended 30 June 2010

Highlights

- Revenues increase 328%
- Total production volumes increase 427%
- Gage Roads Brewing Co delivers maiden full year profit of \$680,000
- Demand for contract brewing continues to grow strongly with forecasts to increase output in FY11 to over 1 million cartons
- Expansion program to increase production capacity to in excess of 1.2 million cartons per annum on track and due to be completed in September 2010
- GRB branded products' sales increase 63%

During the year ongoing negotiations with our major shareholder and key customer Woolworths provided our business with the opportunity to exponentially grow production volume and earnings potential. Forecast demand for contract brewing from our Palmyra facility grew from just over 350,000 cartons per annum to circa 1,000,000 cartons per annum within a few months of Woolworths becoming a customer in September 2009.

To ensure our brewery and packaging line was able to meet the anticipated demand in contract volume growth of nearly 200% the Company engaged a number of industry experts to provide guidance and support to ensure the brewery and packaging upgrades delivered the quality and volumes

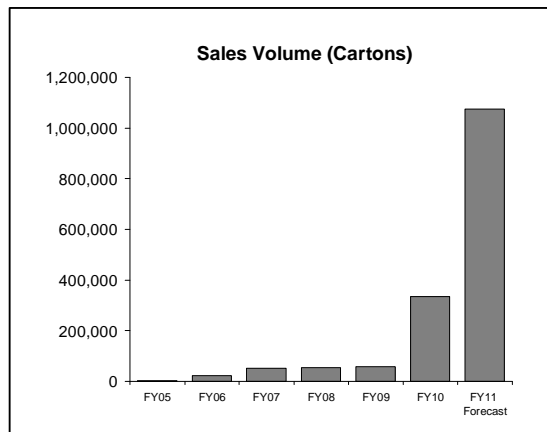
required at the lowest possible cost. In order to fund associated capital expenditure to support the expansion, Gage Roads Brewing secured a \$4.2 million credit facility from the ANZ bank in November 2009 with a guarantee provided by Woolworths.

In planning the capital expansion program our team sourced quality refurbished and used equipment from around the world including Nestle in the UK and the Fosters owned Matilda Bay brewery in North Fremantle. Budgeting for the cost of equipment to be purchased at auction and online was a challenge met successfully by our team with the project nearing completion at an expected total cost of \$3.7 million. We estimate that a similar upgrade using new equipment could have cost some \$10 - \$15 million.

While the expansion program, designed to deliver a 1.2 million carton per annum capacity, is nearing completion, a number of opportunities to invest further to improve efficiencies and reduce costs have also been identified. These opportunities will be evaluated more closely in due course as the business settles into its new operating capacity.

As CEO I have found the dedication, commitment and focus of our skilled team to be overwhelming during this demanding period of growth. We have been successful in employing highly qualified and experienced people from local and international markets. With extensive knowledge in the fields of brewing and beverage packaging, they have proven to be one of the Company's greatest assets in recent months. As this team settles into consistent monthly production growth I expect performance figures to keep improving. This team will also play a large part in identifying ways to reduce costs and improve efficiencies and also contributing greatly to other plans for growth.

In the second half of this financial year we negotiated new supply agreements with most of our suppliers to reduce the cost of raw materials and production based on our forecast volume increase. The lower costs should provide improved margins and for some products allow us to reposition our products into higher volume, lower price pointed, categories of the premium beer market segment. Clearly, the improved economies of scale make our business more competitive in this aggressive market segment.



A major focus for our marketing team in the second half of the financial year was the re-branding of three of our existing products. The first of these products, launched in July 2010, was Gage Premium Lager in a taller more attractive bottle with graphics and packaging to reflect the premium taste profile of the beer. In the early stages of its release, sales figures suggest that the re-branding and packaging upgrade have had the desired results with consumers. Two re-branded products will be released before summer this year along with the launch of an entirely new brand that will become part of the new "Brewer's Selection" portfolio of beers.

With the capacity to produce 500,000 cartons of cider per annum in a rapidly expanding market segment, we are excited by the prospect of meeting expected growth in cider demand for our own and contract brewed products. Following an overwhelming consumer response to our Blue Angel Cider, produced in a limited quantity last year, we will be re-releasing this product in October for the national market.

Our relationship with the Woolworths group has provided Gage Roads Brewing Co with the confidence to grow, develop new products and improve our business disciplines. The achievements of staff, management and the Board at Gage Roads during FY10 have positioned Gage Roads well to take advantage of the opportunities which are presenting themselves in the coming year. Our focus is on profitability from producing quality beverages all consumers can enjoy.



Nick Hayler
CEO
Gage Roads Brewing Co Ltd

Tel: (08) 9331 2300

Further detailed commentary on the results for the year ended 30 June 2010 is provided in the Chairman's Letter, Review of Operations and Directors' Report sections of the attached Annual Report.

Compliance statement

1. This report, and the accounts upon which this report is based, have been prepared in accordance with AASB Standards.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report gives a true and fair view of the matters disclosed.
4. This report is based upon accounts to which one of the following applies:

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have *not* yet been audited or reviewed.

5. The entity has a formally constituted audit committee.

Signed:



Company Secretary

Date: 25 August 2010

Name:

John Hoedemaker

For personal use only



For personal use only

**GAGE ROADS BREWING CO LIMITED
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

ABN 22 103 014 320

**Gage Roads Brewing Co Ltd
Annual Report
For the Year Ended 30 June 2010**

Corporate Directory

Directors

Ian Olson (Chairman)
Robert Gould
Steven Greentree
Bill Hoedemaker
John Hoedemaker

Chief Executive Officer

Nick Hayler

Company Secretary

John Hoedemaker

Principal Place of Business & Registered Office

14 Absolon Street
PALMYRA WA 6157
Tel: (08) 9331 2300
Fax: (08) 9331 2400
Web: www.gageroads.com.au

Postal Address

PO Box 2024
PALMYRA WA 6961

Auditor

BDO Audit (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Legal Adviser

Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Stock Exchange Listing

ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: GRB

Share Registry

Computershare Investor
Services Pty Limited
GPO Box D182
PERTH WA 6840

Registry Enquiries

Within Australia: 1300 798 285
Outside Australia: (03) 9415 4823

**Gage Roads Brewing Co Ltd
Financial Report
For the Year Ended 30 June 2010**

Contents

Chairman's Letter	4
Review of Operations	5
Directors' Report	7
Corporate Governance Statement	18
Auditor's Independence Declaration	22
Directors' Declaration	23
Statement of Comprehensive Income.....	24
Statement of Financial Position.....	25
Statement of Changes in Equity.....	26
Statement of Cash Flows	27
Notes to the Financial Statements	28
Independent Auditor's Report	55
ASX Additional Information	57

**Gage Roads Brewing Co Ltd
Chairman's Letter
For the Year Ended 30 June 2010**

Dear Shareholder

The completion of financial year 2010 marks a turning point in the history of your Company.

Following shareholder approval of the transaction that saw Woolworths become a cornerstone shareholder in Gage Roads, ongoing discussions with the team at Woolworths towards the end of calendar 2009 concluded in revising upwards contract brewing target volumes from some 350,000 to over 1,000,000 cartons per annum.

Pursuant to these significant volume revisions and with the assistance of Woolworths, Gage Roads secured a \$4.2 million facility from the ANZ bank to fund an expansion program designed to deliver an annual capacity of over 1,200,000 cases from our Palmyra facility.

The management and operational team of your Company responded to the challenge of designing, procuring and implementing the necessary improvements to the brewery and production lines with incredible commitment. In just 9 months a global search for quality, refurbished items of plant and equipment was undertaken with the subsequent installation now nearing completion.

The entire team at Gage Roads is to be commended for many months of long hours including consecutive weekends at different times throughout the year when plant shutdowns were arranged for major commissioning activities.

I would also like to extend to the families of our team at Gage Roads the thanks and appreciation of the Board and shareholders for the many instances over the past year where the demands of our growing business impacted on the lives of the extended Gage Roads family.

We look forward to fiscal 2011 with a sense of expectation as the completion of the expansion program heralds an installed capacity capable of delivering good levels of profitability. This is underpinned by emerging sales of Dry Dock for Woolworths and the rebranding of existing Gage Roads products.

We are working with our largest customer and major shareholder to plan a production profile for the coming months that we hope will underwrite the generation of sustainable profits for Gage Roads into the future and allow your board to deliver on a promise of generating returns to patient and loyal shareholders.



Ian Olson
Chairman

For personal use only

**Gage Roads Brewing Co Ltd
Review of Operations
For the Year Ended 30 June 2010**

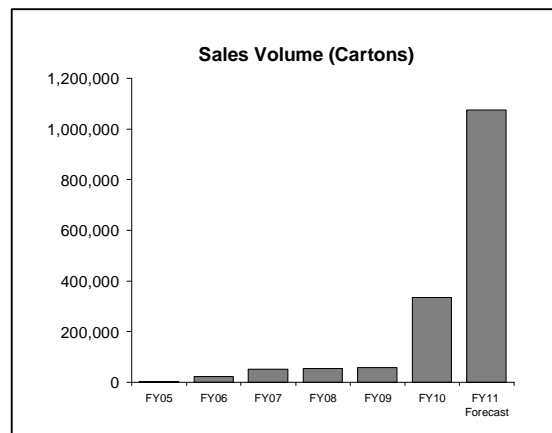
Review of Operations

Highlights

- Revenues increase 328%
- Total production volumes increase 427%
- Gage Roads Brewing Co delivers maiden full year profit of \$680,000
- Demand for contract brewing continues to grow strongly with forecasts to increase output in FY11 to over 1 million cartons
- Expansion program to increase production capacity to in excess of 1.2 million cartons per annum on track and due to be completed in September 2010
- GRB branded products' sales increase 63%

During the year ongoing negotiations with our major shareholder and key customer Woolworths provided our business with the opportunity to exponentially grow production volume and earnings potential. Forecast demand for contract brewing from our Palmyra facility grew from just over 350,000 cartons per annum to circa 1,000,000 cartons per annum within a few months of Woolworths becoming a customer in September 2009.

To ensure our brewery and packaging line was able to meet the anticipated demand in contract volume growth of nearly 200% the Company engaged a number of industry experts to provide guidance and support to ensure the brewery and packaging upgrades delivered the quality and volumes required at the lowest possible cost. In order to fund associated capital expenditure to support the expansion, Gage Roads Brewing secured a \$4.2 million credit facility from the ANZ bank in November 2009 with a guarantee provided by Woolworths.



In planning the capital expansion program our team sourced quality refurbished and used equipment from around the world including Nestle in the UK and the Fosters owned Matilda Bay brewery in North Fremantle. Budgeting for the cost of equipment to be purchased at auction and online was a challenge met successfully by our team with the project nearing completion at an expected total cost of \$3.7 million. We estimate that a similar upgrade using new equipment could have cost some \$10 - \$15 million.

While the expansion program, designed to deliver a 1.2 million carton per annum capacity, is nearing completion, a number of opportunities to invest further to improve efficiencies and reduce costs have also been identified. These opportunities will be evaluated more closely in due course as the business settles into its new operating capacity.

As CEO I have found the dedication, commitment and focus of our skilled team to be overwhelming during this demanding period of growth. We have been successful in employing highly qualified and experienced people from local and international markets. With extensive knowledge in the fields of brewing and beverage packaging, they have proven to be one of the Company's greatest assets in recent months. As this team settles into consistent monthly production growth I expect performance figures to keep improving. This team will also play a large part in identifying ways to reduce costs and improve efficiencies and also contributing greatly to other plans for growth.

In the second half of this financial year we negotiated new supply agreements with most of our suppliers to reduce the cost of raw materials and production based on our forecast volume increase. The lower costs should provide improved margins and for some products allow us to reposition our products into higher volume, lower price pointed, categories of the premium beer market segment. Clearly, the improved economies of scale make our business more competitive in this aggressive market segment.

For personal use only

Gage Roads Brewing Co Ltd
Review of Operations
For the Year Ended 30 June 2010

A major focus for our marketing team in the second half of the financial year was the re-branding of three of our existing products. The first of these products, launched in July 2010, was Gage Premium Lager in a taller more attractive bottle with graphics and packaging to reflect the premium taste profile of the beer. In the early stages of its release, sales figures suggest that the re-branding and packaging upgrade have had the desired results with consumers. Two re-branded products will be released before summer this year along with the launch of an entirely new brand that will become part of the new "Brewer's Selection" portfolio of beers.

With the capacity to produce 500,000 cartons of cider per annum in a rapidly expanding market segment, we are excited by the prospect of meeting expected growth in cider demand for our own and contract brewed products. Following an overwhelming consumer response to our Blue Angel Cider, produced in a limited quantity last year, we will be re-releasing this product in October for the national market.

Our relationship with the Woolworths group has provided Gage Roads Brewing Co with the confidence to grow, develop new products and improve our business disciplines. The achievements of staff, management and the Board at Gage Roads during FY10 have positioned Gage Roads well to take advantage of the opportunities which are presenting themselves in the coming year. Our focus is on profitability from producing quality beverages all consumers can enjoy.



Nick Hayler
Chief Executive Officer

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the year ended 30 June 2010.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated.

Ian Olson (Chairman)
Robert Gould
Steven Greentree
Bill Hoedemaker
John Hoedemaker

Chief Executive Officer

Nick Hayler

Principal activities

During the year the principal continuing activities of the Company were the brewing, packaging, marketing and selling of craft brewed beer, cider and other beverages.

No significant change in the nature of these activities occurred during the year.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review and results of operations

The Profit (loss) of the Company for the financial year after providing for income tax amounted to \$679,148 (2009: (\$2,037,548))

A review of the Company's operations and its financial position, business strategies and prospects is located at page 5 of this report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

- (a) **Capital Expansion Program** - In November 2009 the Company embarked on a capital expansion program of the Palmyra (WA) brewing facility in order to increase the production capacity of the brewery from 350,000 cartons per annum to 1.2 million cartons per annum. The increased capacity will be utilised immediately to satisfy the growing demand for both contract brewed products and Gage Roads' own brands. The strong growth of demand from Woolworths for contract brewed products has been a major contributor in the Board's decision to undertake the expansion program.

Bottling line improvements designed to increase the speed and efficiency of the bottling line include: the installation and commissioning of a higher capacity double pre-evacuation bottle filling machine, an accumulation table, pasteuriser modifications and other bottling line conveyor and control improvements.

Brewing process equipment improvements designed to increase the production volume capacity of the brewery include: new high gravity brewing process equipment, increased hot and cold liquor capacity, new refrigeration plant, improved filter medium handling, improved raw and waste material handling, increased hard piping capacity and an additional 635,000 litres of fermenting, conditioning and bright beer tank capacity.

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

The capital expansion program has been substantially completed at 30 June 2010 incurring capital expenditure of \$3.4 million to date. Final commissioning and installation work is expected to be completed next month, September 2010, incurring approximately \$300,000 in capital expenditure, bringing the total expenditure for the project in line with the Board's budget of \$3.7 million.

- (b) **ANZ \$4.2M Facility** - In November 2009 the Company executed an agreement with the ANZ Banking Group Limited to provide a \$4,200,000 credit facility. The facility is secured by Company assets and a guarantee from Woolworths Limited. The funds have been fully drawn as at 30 June 2010 to facilitate the expansion program of the existing Palmyra (WA) based production facility, associated working capital requirements, the refinancing of prior existing secured debt, and other related costs.
- (c) **Recognition of the Deferred Tax Asset** – During the year the Board resolved to recognise a deferred tax asset relating to historical tax losses incurred by the Company. This recognition was reviewed and accepted by the Company's Auditor and reflects an expectation that it is probable that future profits will be generated against which the tax losses can be utilised. The impact of this accounting treatment for the year ended 30 June 2010 generated a credit to the Statement of Comprehensive Income of \$3.73 million and has helped Gage Roads report a maiden Profit of \$679,148 for the year.
- (d) **Shares Issued** – In January 2010 in accordance with the Company's Employee Share Plan, 1,275,000 shares were issued to eligible employees (not including Directors and Executive Officers) as part of their remuneration and having regard to their past and potential contribution to the Company. The shares were issued for nil cash consideration in accordance with a resolution of the Board.

In April 2010, having satisfied the tax loss condition to the satisfaction of Woolworths Limited, the Company received \$672,415 from Woolworths Limited being the second and final component of the issue price in relation to the placement of 76,410,890 ordinary shares to Woolworths on 30 June 2009. Further explanation of changes in contributed equity can be found in Note 15 to the Financial Statements.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2010, which has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to brew, sell and market beer and cider and continue to expand its distribution domestically and internationally.

For personal use only

Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010

Information on Directors

Ian Olson CA, BCom, MAICD, AIMM
(*Non-Executive Chairman, appointed 12 November 2007*)

Experience and expertise - An experienced Chartered Accountant, Ian Olson brings extensive knowledge in corporate advisory, audit and assurance to the Board. Ian is the proprietor and Executive Chairman of the King Group, a diversified surveying, drafting, mapping and GIS business. Prior to the acquisition of the King Group Ian was Managing Partner of PKF Chartered Accountants in Western Australia.

Other current public directorships - Diploma Constructions Limited and RuralAus Investments Limited.

Former directorships in listed companies in last 3 years – None.

Special responsibilities - Chairman of the Board, member of the Audit and Remuneration Committees.

Interests (direct and indirect) in shares and options - 2,470,587 shares and nil options in the Company.

Robert Gould FCA, FAICD
(*Non-Executive, appointed 12 November 2007*)

Experience and expertise - Robert Gould has held a number of roles in finance and the management and guidance of start up, early stage and fast growing companies. His experience includes international mergers and acquisition activity and management of a venture capital fund with \$113 million under management. Robert was a seed capital investor in Gage Roads and is currently a Director and Shareholder of Javelin Partners Pty Ltd, a private equity advisory business.

Other current public directorships - None.

Former directorships in listed companies in last 3 years - Chairman of Western Kingfish Limited.

Special responsibilities - Chairman of the Audit Committee and member of the Remuneration Committee.

Interests (direct and indirect) in shares and options - 18,280,986 shares and nil options in the Company.

Steven Greentree AAICD
(*Non-Executive, appointed 30 June 2008*)

Experience and expertise - Steven Greentree is the General Manager of Woolworths' liquor group. Steven was appointed to his current role in the Liquor Group in December 2007 and has responsibility for all Woolworths retail liquor brands. Steven's extensive career with Woolworths has included prior roles such as General Manager of Woolworths Private Label and Quality Assurance for Australia and New Zealand, General Manager of Marketing for Australian Supermarkets, Operations Manager and Regional Manager for South Australia and the Northern Territory. Steven is a Director of Australian Leisure and Hospitality Group (ALH) Pty Ltd.

Other current public directorships - None.

Former directorships in listed companies in last 3 years - None.

Special responsibilities - None.

Interests (direct and indirect) in shares and options - Nil shares and nil options in the Company.

Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010

Bill Hoedemaker BCom

(Executive Director of Operations and Brewmaster, appointed 3 December 2002)

Experience and expertise - Bill is a founding Shareholder and Director of Gage Roads. He has been a professional Brewer for 11 years, of which 4 were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last 7 years as Brewmaster for Gage Roads. Bill is responsible for capital infrastructure and oversees the brewing operations of the Company, including recipe formulation, quality control, product consistency and cost control. Bill has substantial experience in the resources industry and brings strengths in process efficiencies and problem solving as well as an in-depth knowledge of practical brewing.

Other current public directorships - None.

Former public directorships in listed companies in last 3 years - None.

Special responsibilities - Director of Operations and Brewmaster.

Interest (direct and indirect) in shares and options - 404,669 shares and nil options in the Company. Bill is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker as trustee for The Leijenaar Trust and The Ottor Trust holds 10,528,503 shares and nil options in the Company.

John Hoedemaker BCom

(Executive Chief Financial Officer and Company Secretary, appointed 3 December 2002)

Experience and expertise - John is a founding Shareholder and Director of Gage Roads. He played a key role in developing and implementing the distribution and channel to market strategies of the Company. John is responsible for the financial, accounting, governance and administration aspects of the business. He provides experience in sales, distribution, finance, marketing and business administration. Prior to his involvement with Gage Roads, John was a shareholder, General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA), which he managed from a start-up operation through to a trade sale to a multi-national conglomerate.

Other current public directorships - None.

Former public directorships in last 3 years - None.

Special responsibilities - Chief Financial Officer and Company Secretary.

Interest (direct and indirect) in shares and options - 404,669 shares and nil options in the Company. John is also a beneficiary of two discretionary trusts, The Leijenaar Trust and The Ottor Trust. Pieter Hoedemaker as trustee for The Leijenaar Trust and The Ottor Trust holds 10,528,503 shares and nil options in the Company.

Information on Management

Nick Hayler BBus

(Chief Executive Officer, appointed 30 October 2007)

Experience and expertise - Nick Hayler holds a Bachelor of Business with a Marketing Major. Prior to his role as CEO he was the Sales and Marketing Manager for Gage Roads. Before joining Gage Roads Nick worked for Coca Cola Amatil for 12 years at both State and National levels in strategic sales positions, including the management of their highly profitable Hotel, Café and Restaurant Channel. Nick's extensive experience in strategic planning and management and his open communication style provide him with the unique skill sets required to lead Gage Roads both internally and in a public company environment.

Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2010, and the number of meetings attended by each Director, were as follows:

Directors	Full Meeting of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B
Ian Olson (Non-Executive)	10	10	2	2	1	1
Robert Gould (Non-Executive)	10	9	2	2	1	1
Steven Greentree (Non-Executive)	10	10	n/a	n/a	n/a	n/a
Bill Hoedemaker (Executive)	10	10	n/a	n/a	n/a	n/a
John Hoedemaker (Executive)	10	10	2	2	n/a	n/a

A = number of meetings held during the time the Director held office or was a member of the committee during the year.

B = number of meetings attended.

n/a = not a member of the relevant committee.

Total shares under options

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

Date options granted	Term	Exercise price	Number under option
12-Jul-07	5 Years	\$0.40	750,000
19-Dec-07	5 Years	\$0.20	750,000
19-Dec-07	5 Years	\$0.30	750,000
19-Dec-07	5 Years	\$0.40	750,000
			3,000,000

No option holder has any voting or dividend rights or right under the options to participate in any other share issue of the Company other than a bonus issue.

Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2010 (2009: Nil).

Options granted to Directors

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2010 (2009: Nil).

Options granted to Key Management Executives and other employees

No options over unissued ordinary shares were granted to Key Management Executives or other employees during the year ended 30 June 2010 (2009: Nil).

Options cancelled, forfeited or lapsed

No options over unissued ordinary shares were cancelled, forfeited or lapsed during the year ended 30 June 2010.

In 2009, 3,850,000 options that were granted to Directors on 4 December 2006 either lapsed or were voluntarily forfeited and cancelled. Details of the options cancelled, forfeited or lapsed can be found at Notes 20 and 21.

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Shares issued to employees

All eligible employees of the Company (other than Directors and Executive Officers) received shares in recognition of their extraordinary contribution to date. The shares were issued on 27 January 2010 for nil consideration at the discretion of the Board in accordance with the Company's Employee Share Scheme.

Ordinary shares that have been issued to employees of the Company at the date of this report are as follows:

Date shares issued	Number of shares issued
26-Jul-07	70,000
22-Jan-09	4,275,000
27-Jan-10	1,275,000
	5,620,000

The value of the 1,275,000 shares at the date of issue was \$133,875. Details of the shares issued to employees can be found at Note 20 to the Financial Statements.

Remuneration Report

The information provided in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for determining and reviewing remuneration packages of all Directors and Key Management Personnel ("KMP") on an annual basis. The Remuneration Committee currently consists of Non-Executive Directors Ian Olson and Robert Gould.

The committee's reward policy reflects its obligation to align Directors' and Executives' remuneration with Shareholders' interests and to retain appropriately qualified talent for the benefit of the Company. The main principles of the policy are:

- (a) the reward considers comparative industry benchmarks and reflects the competitive market in which the Company operates;
- (b) individual reward should be linked to performance criteria if appropriate;
- (c) Executives should be rewarded for both financial and non-financial performance; and
- (d) the committee shall have access to external professional advice if required to assist in determining appropriate remuneration.

Non-Executive Directors - The Remuneration Committee is responsible for recommending individual Non-Executive Directors' fees within the limit approved by Shareholders. The current aggregate Directors' fee limit is \$150,000. Directors are entitled to have premiums paid for Directors' & Officers' insurance.

Executives and Executive Directors - The total remuneration of the Key Management Executives and Executive Directors consists of the following:

- (a) salary - the Key Management Executives and Executive Directors receive a fixed sum payable monthly in cash;
- (b) cash at risk component - Key Management Executives and Executive Directors are eligible to participate in a cash bonus plan if deemed appropriate;
- (c) share and option at risk component - Key Management Executives and Executive Directors may participate in share and option schemes generally being made in accordance with thresholds set in plans approved by Shareholders if deemed appropriate. The Board, however, considers it appropriate to retain the flexibility to issue shares and options to Key Management Executives and Executive Directors outside of an approved option scheme in exceptional circumstances; and

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Remuneration Report (continued)

Details of remuneration (continued)

2009 Remuneration - Key Management Personnel

Name	Short term benefits			Post employment benefits	Termination Benefits	Share based	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>							
Ian Olson	63,068	-	-	-	-	-	63,068
Brett Fraser	8,250	-	-	-	-	-	8,250
Robert Gould	41,250	-	-	-	-	-	41,250
Steven Greentree	-	-	-	-	-	-	-
Paul McKenzie	-	-	-	-	-	(1,134)*	(1,134)
<i>Sub-total Non-Exec Directors</i>	<i>112,568</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,134)</i>	<i>111,434</i>
<i>Executive Key Management</i>							
Nick Hayler (CEO)	187,500	-	22,831	16,875	-	22,622	249,248
Bill Hoedemaker	120,000	-	19,705	10,800	-	16,866	167,371
John Hoedemaker	145,000	-	15,358	13,050	-	16,866	190,274
Peter Nolin	-	-	-	-	30,000	(2,268)*	27,732
<i>Sub-total Executive</i>	<i>452,500</i>	<i>-</i>	<i>57,894</i>	<i>40,725</i>	<i>30,000</i>	<i>54,086</i>	<i>635,205</i>
Totals	565,068	-	57,894	40,725	30,000	52,952	746,639

* Options granted to Executive Key Management and Directors are conditional upon continued service with the Company. Upon resignation of Peter Nolin and Paul McKenzie, a number of options will not vest and therefore their value is nil. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed were credited to the expense. Please refer to Note 20 to the Financial Statements for more information.

Service agreements

Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements. The fixed term agreements regarding Bill Hoedemaker and John Hoedemaker expired on the 23 December 2008, their continued employment is based on an implied extension of those contracts. New agreements for Key Management Personnel are expected to be formalised during FY11. The significant terms of employment are set out below:

Nick Hayler - CEO

- Term of agreement: No fixed term.
- Base salary: \$190,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Nil.

Bill Hoedemaker - Director of Operations - Brewmaster

- Term of agreement: No fixed term.
- Base salary: \$160,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Nil.

John Hoedemaker - CFO and Company Secretary

- Term of agreement: No fixed term.
- Base salary: \$160,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 1 month notice.
- Bonus entitlement: Nil.

No Director or executive is entitled to any termination payments apart from remuneration payable up to and including the date of termination and payments due by way of accrued leave entitlements. There are no service agreements in respect of non-executive directors.

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Remuneration Report (continued)

Share-based compensation

Options granted to Key Management Personnel

No options over unissued ordinary shares were granted to Key Management Personnel during the year ended 30 June 2010 (2009: Nil).

The terms and conditions of all options over unissued ordinary shares in existence at the date of this report affecting remuneration in the previous, this or future reporting periods are as follows:

Name	Date options granted	Expiry date	Vesting date	Vested [^]	Exercise price	Value per option at grant date	Number under option
Nick Hayler	12-Jul-07	12-Jul-12	12-Jul-07	250,000	\$0.40	5.26 cents	250,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-08	750,000	\$0.20	3.34 cents	750,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-09	750,000	\$0.30	2.02 cents	750,000
Nick Hayler	19-Dec-07	19-Dec-12	19-Dec-10	Nil	\$0.40	1.30 cents	750,000
							2,500,000

[^]Nick Hayler's options vest on the 1, 2 and 3 year anniversaries from issue date.

The vesting of the options above are subject to the option holder being an employee or Director of the Company during the vesting periods. No options will vest if the conditions are not met, hence the minimum value of the options is nil. The options are linked to performance as their value is linked to an increasing share price over the term of the option. The maximum value has been determined as the fair value per option at grant date multiplied by the number of options. Further details of the options granted to Directors and Key Management Personnel can be found at Notes 20 and 21 to the Financial Statements.

Shares issued to Key Management Personnel on the exercise of options

No ordinary shares were issued during the financial year on the exercise of options granted to Key Management Personnel (2009: Nil).

Value of Key Management Personnel options granted, exercised and lapsed

The value of Key Management Personnel options granted, exercised or lapsed during the year was as follows. These options are the only at-risk elements of these Directors' and Key Management Personnel's remuneration and no other Directors received at-risk-based remuneration during the year.

Name	Options granted Value at grant date	Options exercised Value at exercise date	Options lapsed Value at time of lapse	Total value of options granted, exercised and lapsed	Value of options included in remuneration	% of total remuneration consisting of options	% of total remuneration related to performance
	\$	\$	\$	\$	\$	%	%
Nick Hayler	-	-	-	-	7,824	3.3	-
Bill Hoedemaker	-	-	-	-	-	-	-
John Hoedemaker	-	-	-	-	-	-	-

All options were valued using the Black Scholes pricing model or the Binomial pricing model, convert into one ordinary share and carry no dividend or voting rights. Further details of the option valuations and model inputs can be found at Note 20 to the Financial Statements.

No cash bonuses were paid to or forfeited by any Directors or Key Management Personnel during the year ended 30 June 2010 (2009: Nil).

This is the end of the audited remuneration report.

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Loans to Directors and Executives

The Company has not made any loans to Directors or Executives during the financial year to 30 June 2010 and has no carried forward loans from prior years.

Environmental regulation

The Directors have not been notified and are not aware of any breach of any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2009 to 30 June 2010 the Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

Insurance of officers

During the financial year the Company paid a premium of \$5,558 to insure the Directors and Officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

For personal use only

**Gage Roads Brewing Co Ltd
Directors' Report
For the Year Ended 30 June 2010**

Non-Audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of audit and non-audit services can be found in Note 22 to the Financial Statements.

The board of directors, in conjunction with the audit committee, has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, and did not compromise these auditor's independence requirements because they did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

This report is made in accordance with a resolution of Directors, and signed for on behalf of the Board by:



Ian Olson
Chairman

Palmyra

Dated this 24th day of August 2010

**Gage Roads Brewing Co Ltd
Corporate Governance Statement
For the Year Ended 30 June 2010**

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 this Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles and Recommendations 2nd Edition (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company is required to provide a statement in this and future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company has in place a corporate governance policy which is posted in the Company Information section of the Company's website at www.gageroads.com.au.

BEST PRACTICE RECOMMENDATIONS

1 Lay solid foundations for management and oversight

- 1.1 *Companies should establish the functions reserved to the Board and those delegated to senior Executives and disclose those functions.* The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer and other Executive Directors.
- 1.2 *Companies should disclose the process for evaluating the performance of senior executives.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating executive performance. The Board did not meet during the year to specifically evaluate the performance of senior executives.

2 Structure the Board to add value

- 2.1 *A majority of the Board should be independent Directors.* Whilst less than half of the current Board are independent Directors (which is not in accordance with the Best Practice Recommendations) the Directors are of the view that the Board is structured in such a way so as to add value and that the number of Directors is appropriate for the size and complexity of the business. A majority of the Board are Non Executive Directors.
- 2.2 *The chair should be an independent Director.* The Chairman, Ian Olson, is considered an independent Chairman as he satisfies the principles of the test for independence as set out in the ASX principles.
- 2.3 *The roles of chair and Chief Executive Officer should not be exercised by the same individual.* The Chief Executive Officer and Chairperson are different people.
- 2.4 *The Board should establish a nomination committee.* It is not Company policy to have a nomination committee given the size and scope of Gage Roads Brewing Co Ltd. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Company's external professional advisors.
- 2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating its performance. The Board has not met during the year to specifically evaluate the performance of Board members.
- 2.6 *Provide the information indicated in Guide to Reporting on Principle 2.* Information such as the skills, experience and expertise of each Director relevant to their positions and the term they have held office can be found in the Directors' Report. There is a procedure in place which provides for Directors to take independent professional advice at the expense of the Company with the prior approval of the Chairman. The Corporate Governance Policy has been posted on the Company's website.

3 Promote ethical and responsible decision-making

3.1 *Establish a code of conduct and disclose the code or a summary of the code as to:*

- (a) *the practices necessary to maintain confidence in the Company's integrity,*
- (b) *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- (b) *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company's Corporate Governance Policy includes a Corporate Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct in employment.

3.2 *Companies should establish a policy concerning trading in company securities by Directors, senior Executives and employees, and disclose the policy or a summary of that policy.* The Company's current Corporate Governance Policy includes a Security Trading Policy providing guidelines for buying and selling securities in the Company by Directors and employees. Full details of The Securities Trading Policy can be found in the Corporate Governance Policy which has been posted on the Company's website. In summary, Directors are required to notify the Chairman (and the Chairman notify the Board) of their intention to trade, confirm that they do not hold any insider information, have been advised by the Chairman (or Board) that there is no reason to preclude trading, and complied with any conditions on trading imposed by the Chairman (or Board) including for example, time limits. Employees are required to notify and obtain clearance from the Company Secretary before trading.

3.3 *Provide the information indicated in Guide to Reporting on Principle 3.* The Corporate Governance Policy has been posted on the Company's website.

4 Safeguard integrity in financial reporting

4.1 *The Board should establish an Audit Committee.* The Board has an Audit Committee.

4.2 *The Audit Committee should be structured so that it:*

- (a) *consists of only Non-Executive Directors,*
- (b) *consists of a majority of independent Directors,*
- (c) *is chaired by an independent chair, who is not chair of the Board, and*
- (d) *has at least three members.*

The Audit Committee consists of two Non-Executive Directors Ian Olson and Robert Gould (Chairman of the Audit Committee). The Audit Committee Chairman is not independent and is not the chairperson of the Board. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned.

4.3 *The Audit Committee should have a formal charter.* The Company's Corporate Governance Policy includes a formal charter for the Audit Committee.

4.4 *Provide the information indicated in "Guide to Reporting on Principle 4".* Information such as the names and qualifications of members of the Audit Committee, the number of meetings of the Audit Committee and the names of the attendees can be found in the Directors' Report. The Audit Committee charter and procedures for the selection and appointment of the external auditor are incorporated in the Corporate Governance Policy which has been posted on the Company's website.

5 Make timely and balanced disclosure

- 5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior Executive level for that compliance.* The Company has a continuous disclosure policy in place designed to ensure the factual presentation of the Company's financial position.
- 5.2 *Provide the information indicated in "Guide to Reporting on Principle 5".* The continuous disclosure policy is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

6 Respect the rights of Shareholders

- 6.1 *Companies should design a communications policy for promoting effective communication with Shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.* The Company's Corporate Governance Policy includes a Shareholder communications policy which aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through continuous disclosure to the ASX, the annual report, half year financial report, quarterly reports, notices of meetings, the annual general meeting and periodic newsletters, all of which are posted on the Company's website at www.gageroads.com.au.
- 6.2 *Provide the information indicated in "Guide to Reporting on Principle 6".* The Shareholder communications policy is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

7 Recognise and manage risk

- 7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy. The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.
- 7.2 *The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.* The Company's Corporate Governance Policy includes a risk management and internal compliance and control policy which delegates the responsibility of risk management and internal compliance to management and outlines the Company's process of risk management, internal compliance and control. Management reports on the management of material business risks at Board meetings.
- 7.3 *The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* The statement made in accordance with section 295A of the Corporations Act advises that the statement is founded on a sound system of risk management and internal control and that the Company's risk management and internal compliance and control system, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.
- 7.4 *Provide the information indicated in "Guide to Reporting on Principle 7".* A description of the Company's risk management and internal compliance and control systems is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

8 Remunerate fairly and responsibly

- 8.1 *The Board should establish a Remuneration Committee.* The Company's Remuneration Committee comprises two Non-Executive Directors Ian Olson and Robert Gould. Whilst not in accordance with the Best Practice Recommendations, the Company is of the view that the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the

**Gage Roads Brewing Co Ltd
Corporate Governance Statement
For the Year Ended 30 June 2010**

appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive and counter productive.

- 8.3 *Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.* Non-Executive Directors Ian Olson and Robert Gould are paid a set fee of \$50,000 each per annum. The Company's Constitution provides that the remuneration of Non-Executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$150,000 per annum. Further information of Executive and Non-Executive remuneration can be found in the section headed "Remuneration Report" in the Directors' Report.
- 8.4 *Provide the information indicated in "Guide to Reporting on Principle 8".* Information such as the names and qualifications of members of the Remuneration Committee, the number of meetings of the Remuneration Committee and the names of the attendees can be found in the Directors' Report. The Company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. The Remuneration Committee charter is incorporated in the Corporate Governance Policy which has been posted on the Company's website.

For personal use only

24th August 2010

To the Board of Directors
Gage Roads Brewing Co. Limited
14 Absolon Street
PALMYRA WA 6157

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF GAGE ROADS
BREWING CO. LTD**

As lead auditor of Gage Roads Brewing Co. Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- any applicable code of professional conduct in relation to the audit.



Glyn O'Brien
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

For personal use only

Gage Roads Brewing Co Ltd
Directors' Declaration
As at 30 June 2010

The directors of the company declare that:

- (a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, *are in accordance with the Corporations Act 2001* and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the remuneration disclosures included on pages 12 to 15 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.
- (d) The Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Reporting Standards.
- (e) The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Ian Olson
Chairman

Palmyra

Dated this 24th day of August 2010

Gage Roads Brewing Co Ltd
Statement of Comprehensive Income
For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Revenue from continuing operations			
Sales revenue		5,808,702	1,331,788
Interest revenue		7,201	25,621
	3	<u>5,815,903</u>	<u>1,357,409</u>
Other income		20,712	5,848
Raw materials, consumables & delivery		(3,393,801)	(611,592)
Operating expenses		(1,358,266)	(353,583)
Employee benefit expenses		(2,690,681)	(1,581,649)
Depreciation and amortisation expenses	4	(350,687)	(148,521)
Sales and marketing expenses		(286,378)	(437,991)
Administration expenses		(476,400)	(381,437)
Occupancy expenses		(256,034)	(144,123)
Finance costs	4	(59,311)	(37,469)
Loss before income tax		<u>(3,034,943)</u>	<u>(2,333,108)</u>
Income tax benefit	5	3,714,091	295,560
Profit (loss) for the year		<u>679,148</u>	<u>(2,037,548)</u>
Total comprehensive income for the year		<u>679,148</u>	<u>(2,037,548)</u>
Profit (loss) and other comprehensive income attributable to the members of Gage Roads Brewing Co Ltd		<u>679,148</u>	<u>(2,037,548)</u>
Profit (loss) per share for loss attributable to the ordinary equity holders of the company:			
Basic profit (loss) per share (cents)	18	0.2	(1.3)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Gage Roads Brewing Co Ltd
Statement of Financial Position
As at 30 June 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	889,266	1,670,766
Trade and other receivables	7	922,280	215,403
Inventories	8	797,420	600,407
Total current assets		2,608,966	2,486,576
Non-current assets			
Property, plant and equipment	9	5,764,265	2,445,037
Deferred tax assets	5	3,714,091	-
Intangible assets	10	3,769	3,769
Total non-current assets		9,482,125	2,448,806
Total assets		12,091,091	4,935,382
LIABILITIES			
Current liabilities			
Trade and other payables	11	2,234,703	623,473
Borrowings	12	89,228	185,530
Total current liabilities		2,323,931	809,003
Non-current liabilities			
Provisions	13	57,500	28,888
Borrowings	14	4,200,000	125,594
Total non-current liabilities		4,257,500	154,482
Total liabilities		6,581,431	963,485
Net assets		5,509,660	3,971,897
EQUITY			
Contributed equity	15	16,586,699	15,735,908
Share options reserve	16	345,853	338,029
Accumulated losses	16	(11,422,892)	(12,102,040)
Total equity		5,509,660	3,971,897

The above balance sheet should be read in conjunction with the accompanying notes.

Gage Roads Brewing Co Ltd
Statement of Changes in Equity
For the year ended 30 June 2010

Notes	Contributed equity \$	Accumulated losses \$	Share Option reserve \$	Total equity \$
Balance at 1 July 2008	13,005,942	(10,064,492)	285,077	3,226,527
Total comprehensive income for the year		(2,037,548)		(2,037,548)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital, net of transaction costs	2,729,966	-	-	2,729,966
Director share options expensed	-	-	30,330	30,330
Employee and other share options expensed	-	-	22,622	22,622
Balance at 30 June 2009	15,735,908	(12,102,040)	338,029	3,971,897
Total comprehensive income for the year		679,148		679,148
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital, net of transaction costs	15 674,166	-	-	674,166
Director share options expensed	-	-	-	-
Employee and other share options expensed	-	-	7,824	7,824
Employee share plan shares expensed	176,625	-	-	-
Balance at 30 June 2010	16,586,699	(11,422,892)	345,853	5,333,035

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

Gage Roads Brewing Co Ltd
Statement of Cash Flows
For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,044,328	1,712,570
Payments to suppliers and employees (inclusive of GST)		<u>(12,144,970)</u>	<u>(3,827,482)</u>
		(2,100,642)	(2,114,912)
Interest received		7,659	26,692
Interest paid		(35,591)	(37,469)
Income tax refund received		-	607,285
Net cash outflow from operating activities	17	<u>(2,128,574)</u>	<u>(1,518,404)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,309,309)	(45,508)
Proceeds from sale of property, plant and equipment		4,111	6,554
Net cash outflow from investing activities		<u>(3,305,198)</u>	<u>(38,954)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities (gross)		672,416	2,901,266
Equity raising transaction costs		1,750	(171,300)
Proceeds from borrowings		4,250,405	733,297
Repayment of borrowings		(272,299)	(933,676)
Net cash inflow from financing activities		<u>4,652,272</u>	<u>2,529,587</u>
Net increase / (decrease) in cash and cash equivalents		(781,500)	972,229
Cash and cash equivalents at the beginning of the financial year		<u>1,670,766</u>	698,537
Cash and cash equivalents at the end of the financial year	6	<u>889,266</u>	<u>1,670,766</u>

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

For personal use only

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statement of Gage Roads Brewing Co Ltd also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These Financial Statements have been prepared under the historical cost convention.

Critical Accounting Estimates and Significant Judgements

The preparation of Financial Statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The major area involving a higher degree of judgment or complexity, and where assumptions and estimates are significant to the Financial Statements, is the recognition basis of the Deferred Tax Asset based on management's assessment of future profits to support its recovery (refer Note 5).

(b) Segment reporting

The Company has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Chief Executive Officer and members of the Board of Directors.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

(ii) Interest income

Interest revenue is recognised on a time proportional basis using the effective interest method, see note 1(j).

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases (note 23). Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(f) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments 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, and bank overdrafts.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments, are considered indicators that the trade

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the profit and loss.

(i) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials for work-in-progress and finished goods. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

(j) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade receivables in the balance sheet (note 7).

Regular purchases and sales of financial assets are recognised on trade-date, i.e. when committed. Financial assets are de-recognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(l) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Property, plant and equipment (continued)

Depreciation is calculated using both the straight line and reducing balance methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Brewery, plant & equipment	3.33% - 30%
Office equipment	7.50% - 50%
Motor vehicles	13.64% - 18.75%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss.

(m) Intangible assets

Trademarks

Trademarks are treated as having an indefinite useful life because they are expected to contribute to the net cash flows indefinitely. Therefore, the trademarks would not be amortised until their useful life is determined to be finite. They would be individually tested for impairment in accordance with AASB 136 annually and whenever there is an indication that any of the trademarks may be impaired. They are carried at cost.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as 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, experiences of employee departures and periods of service.

(iii) Share-based payments

The fair value of options at grant date is independently determined using a Black-Scholes or Binomial option pricing model that takes into account the exercise price, 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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of the options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received are credited to share capital.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

(t) Foreign currency

The functional and presentational currency of Gage Roads Brewing Co. Ltd is the Australian dollar. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
As at 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) Earnings per share

Basic earnings per share

This is calculated by dividing the profit or loss attributable to equity holders of the Company, 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 year.

(v) Excise Tax

As of the 1 July 2008 the Company has adopted an accounting treatment which accounts for Excise Tax as monies received on behalf of a third party and not as revenue. Excise tax collected is accounted for as a current liability until it is paid on a weekly basis.

(w) Provisions

Provisions for legal claims and other obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

For personal use only

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 2 : Financial Risk Management

The Company's activities expose it to a variety of financial risks, market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company'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 Company.

Risk management is carried out by the management team under policies approved by the Board of Directors. Details of policies for each risk are detailed below. The Carrying Value and Fair Value of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

	2010 \$	2010 \$	2009 \$	2009 \$
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash and cash equivalents	889,266	889,266	1,670,766	1,670,766
Trade and other receivables	922,280	922,280	215,403	215,403
	1,811,546	1,811,546	1,886,169	1,886,169
Financial liabilities at amortised cost				
Trade and other payables	2,234,703	2,234,703	439,559	439,559
Borrowings	4,289,228	4,289,228	295,425	311,124
Other financial liabilities	-	-	76,671	76,671
	6,523,931	6,523,931	811,655	827,354

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company does not have any significant exposure to foreign exchange risk.

(ii) *Price risk*

The Company does not have any investments classified as available-for-sale or at fair value through profit or loss and therefore does not have any exposure to price risk.

(iii) *Cash flow interest rate risk*

Refer to (d) over page.

(b) Credit risk

Credit risk arises in relation to cash and cash equivalents and deposits with financial institutions. Cash transactions are limited to high credit quality financial institutions.

Credit risk also arises in relation to trade receivables. The Company only has a credit risk concentration in trade receivables with respect to national wholesalers and Woolworths Ltd, through their purchasing of large quantities of goods. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The maximum exposure to credit risk is the carrying amount of the financial assets as disclosed above.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 2 : Financial Risk Management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities or Shareholder support. The Company has a committed credit facility of \$4.2 million with the ANZ Banking Group which is fully utilised at year-end. The Company has relied on equity raising and prudent management to manage this risk.

2010	< 1 year	1 - 2 years	2 - 5 years	Total	Carrying Value
Trade payables	1,756,862	-	-	1,756,862	1,756,862
Other payables	427,841	50,000	-	477,841	477,841
Loans & leases	551,228	4,585,000	-	5,136,228	4,253,944
Total Payable	2,735,931	4,635,000	-	7,370,931	6,488,647

2009	< 1 year	1 - 2 years	2 - 5 years	Total	Carrying Value
Trade payables	252,457	-	-	252,457	252,457
Other payables	294,345	-	-	294,345	294,345
Loans & leases	185,530	62,897	62,897	311,324	311,124
Total Payable	732,332	62,897	62,897	858,126	857,926

(d) Cash flow interest rate risk

The Company's interest-bearing assets are at floating interest rates, thereby exposing the Company to cash flow interest-rate risk through changes in market interest rates. The Company policy is to accept this risk by linking in deposit terms with funding requirements and market interest rates available for different terms.

As at 30 June 2010, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$7,348 higher/lower (2009: \$7,490 higher/lower) from interest income on cash and cash equivalents, based upon the average cash on hand balance of \$734,836.

Some of the Company's long term borrowings are at a fixed interest rate and as such there is no risk to the Company's interest payments and operational cash flows arising from those liabilities. Some borrowings are at floating interest rates, thereby exposing the Company to cash flow interest-rate risk through changes in market interest rates.

As at 30 June 2010, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$14,701 higher/lower (2009: Nil) from interest expense on borrowings, based upon the average loan balance of \$1,470,132.

Note 3 : Revenue

	2010	2009
	\$	\$
<i>Revenue</i>		
Sale of goods	9,685,331	1,526,024
Less: Excise tax collected	(3,876,629)	(194,236)
Interest	7,201	25,621
	5,815,903	1,357,409
<i>Other revenue</i>		
Sundry sales	20,712	5,848
	20,712	5,848

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 4 : Expenses

	2010 \$	2009 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	305,737	122,880
Office equipment	31,877	9,517
Motor vehicles	13,073	16,124
Total depreciation	<u>350,687</u>	<u>148,521</u>
<i>Bad Debt Expense</i>		
Bad debts written off	106	620
Bad Debts Expensed	<u>106</u>	<u>620</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	59,311	37,469
Finance costs expensed	<u>59,311</u>	<u>37,469</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	244,624	132,280
Total rental expense relating to operating leases	<u>244,624</u>	<u>132,280</u>
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	137,146	110,822
Total defined contribution superannuation expense	<u>137,146</u>	<u>110,822</u>
<i>Loss on unwinding of Ballydooly joint venture</i>		
Write off of receivable net of JV assets received		33,502
Total loss on unwinding of joint venture	<u>-</u>	<u>33,502</u>
<i>Loss on disposal of property, plant & equipment</i>		
Loss on disposal of property, plant & equipment		3,177
Total loss on disposal of property, plant & equipment	<u>-</u>	<u>3,177</u>

For personal use only

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 5 : Income tax expense / (benefit)

	2010 \$	2009 \$
(a) Income tax expense / (benefit)		
Current tax	-	-
Deferred tax - origination of temporary differences	(3,714,091)	-
R & D tax offset refund	-	(295,560)
	<u>(3,714,091)</u>	<u>(295,560)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit (loss) before income tax expense	<u>(3,034,943)</u>	<u>(2,037,548)</u>
Tax at the Australian tax rate of 30% (2009 - 30%)	(910,483)	(611,264)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	55,335	15,886
Fines and entertaining	1,430	1,383
	<u>(853,718)</u>	<u>(593,996)</u>
Taxation benefit not recognised	-	593,996
R & D tax offset refund	-	(295,560)
Income tax expense / (benefit)	<u>(853,718)</u>	<u>(295,560)</u>
(c) Unrecognised tax losses		
Unused tax losses for which no deferred tax asset has been recognised	-	8,975,876
Potential tax benefit @ 30%	-	<u>2,692,763</u>
Deferred tax assets and liabilities were not brought to account in 2009 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the immediate future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed.		
(d) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	<u>12,380,303</u>	-
Deferred tax asset @ 30%	<u>3,714,091</u>	-
Deferred tax asset		
Recognition of deferred tax asset - prior year losses	2,860,373	-
- current year loss	853,718	-
	<u>3,714,091</u>	<u>-</u>

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 5 : Income tax expense / (benefit) (continued)

Deferred tax assets and liabilities have been brought to account in 2010 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed. The Company believes that due to the growth of Gage Roads' proprietary brands and contract brew brands it is probable that sufficient future taxable profits will be available against which unused tax losses can be utilised.

The Company has investigated the availability of the carry forward tax losses in respect of Divisions 165, 166 and 175 of the Income Tax Assessment Act 1997 (being the satisfaction of the continuity of ownership tests, or alternatively the satisfaction of the same business test and their non preclusion by the income injection provisions) and has formed the opinion that it is more likely than not that the Company will not be prevented from deducting all of its accumulated losses as at 30 June 2010 by virtue of these divisions of the Income Tax Assessment Act 1997.

Note 6 : Current assets - Cash and cash equivalents

	2010	2009
	\$	\$
Cash at bank and in hand	<u>889,266</u>	<u>1,670,766</u>
	<u>889,266</u>	<u>1,670,766</u>

(a) Reconciliation to cash at the end of the year

The above figure agrees to cash at the end of the financial year as shown in the statement of cash flows.

(b) Cash at bank and on hand

The cash at bank and in hand balances above bear interest rates of between 0% and 6%.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 7 : Current assets - Trade and other receivables

	2010 \$	2009 \$
Trade receivables	843,782	212,894
Other receivables	78,498	2,509
	922,280	215,403

(a) Bad and doubtful trade receivables

Bad and doubtful trade receivables that are known to be uncollectable during the year ended 30 June 2010 have been written off. The Company is unaware of any doubtful trade receivables and has not made any allowance for any doubtful trade receivables as of 30 June 2010. Bad trade receivables which have been expensed during 2009 to bad debts expense are amounts past due which were uncollectable from one debtor who did not settle their obligations. Please see note 4 Bad Debt Expense for receivables written off during the year.

(b) Interest rate risk

There are no interest-bearing balances in receivables, therefore the Company has no interest rate risk.

(c) Past due but not impaired

As of 30 June 2010 trade receivables of \$306,099 (2009 - \$84,671) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 \$	2009 \$
Up to 3 months	306,099	84,671
3 to 6 months	-	-
	306,099	84,671

(d) Fair value and credit risk

Due to their short-term nature, the fair value of receivables approximates their carrying value. The maximum exposure to credit risk is their carrying value above. The Company only has a credit risk concentration with respect to its major customers. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. See note 2 for more information on the risk management policy of the Company.

Note 8 : Current assets - Inventories

	2010 \$	2009 \$
Raw material and stores - at cost	612,791	461,423
Work-in-progress - at cost	49,887	42,973
Finished goods - at cost	134,742	96,012
	797,420	600,407

Inventory expense

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2010 amounted to \$3,393,801 (2009: \$611,592). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$184,669 (2009: \$17,490).

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 9 : Non-current assets - Property, plant and equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 1 July 2008				
Cost or fair value	2,707,470	69,664	202,387	2,979,521
Accumulated depreciation	(336,831)	(35,906)	(99,003)	(471,740)
Net book amount	2,370,639	33,758	103,384	2,507,781
Year ended 30 June 2009				
Opening net book amount	2,370,639	33,758	103,384	2,507,781
Additions	95,783	-	-	95,783
Depreciation charge	(122,880)	(9,517)	(16,124)	(148,521)
Disposals	-	(465)	(9,541)	(10,006)
Closing net book amount	2,343,542	23,776	77,719	2,445,037
At 30 June 2009				
Cost or fair value	2,803,253	69,664	202,387	3,075,304
Accumulated depreciation	(459,711)	(45,888)	(124,668)	(630,267)
Net book amount	2,343,542	23,776	77,719	2,445,037
Year ended 30 June 2010				
Opening net book amount	2,343,542	23,776	77,719	2,445,037
Additions	3,584,199	89,828	-	3,674,027
Depreciation charge	(305,737)	(31,877)	(13,073)	(350,687)
Disposals	(4,111)	-	-	(4,111)
Closing net book amount	5,617,893	81,726	64,646	5,764,265
At 30 June 2010				
Cost or fair value	6,387,452	159,492	202,387	6,749,331
Accumulated depreciation	(769,559)	(77,765)	(137,741)	(985,065)
Net book amount	5,617,893	81,726	64,646	5,764,265

(a) Assets in the course of construction

The carrying value of assets disclosed above include the following expenditure recognised in relation to plant and equipment which is in the course of construction. As it is not yet available for use this plant and equipment has not been depreciated.

	2010 \$	2009 \$
Plant and equipment	2,473,806	-

(b) Non-current assets pledged as security.

Refer to note 14 for information on non-current assets pledged as security by the Company.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 10 : Non-current assets - Intangible assets

At 1 July 2008

Cost or fair value	3,769
Net book amount	3,769

Year ended 30 June 2009

Opening net book amount	3,769
Closing net book amount	3,769

Year ended 30 June 2010

Opening net book amount	3,769
Closing net book amount	3,769

Trademarks

Trademarks are considered to have a indefinite useful life, in accordance with note 1(m).

Note 11 : Current liabilities - Trade and other payables

	2010	2009
	\$	\$
Trade payables	1,392,144	252,457
Payables for capital purchases	364,718	-
GST payable	84,274	11,243
R & D tax offset expenses payable	-	29,556
Revenue received in advance (a)	-	96,000
Other payables (b)	393,567	234,217
	2,234,703	623,473

(a) Revenue received in advance

Revenue received in advance (2009) recognises prepayment of contract brew revenue in the form of a deposit. The contract brew has now been performed.

(b) Amounts not expected to be settled within one year

Other payables include accruals for annual leave. The entire obligation is expressed as Current as the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The estimated leave that is not expected to be taken in the next twelve months is \$50,000 (2009: \$76,671)

(c) Risk exposure

Information about associated credit and fair value risk is set out in Note 2.

For personal use only

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 12 : Current liabilities - Borrowings

	2010 \$	2009 \$
Secured		
Lease liabilities (note 23)	14,107	35,306
Other loans (a)	39,838	150,223
Total secured current borrowings	<u>53,945</u>	<u>185,530</u>
Unsecured		
Insurance premium funding	<u>35,283</u>	<u>-</u>
Total current borrowings	<u>89,228</u>	<u>185,530</u>

(a) Other loans

These are chattel mortgages secured over specific assets to be repaid within 1 year.

(b) Risk exposure

Details of the Companies exposure to risks arising from current and non-current borrowings are set out in note 2.

(c) Fair value disclosures

The fair value of borrowings for the Company are consistent with their carrying values above due to their short term nature.

(d) Security

Details of the security relating to each of the secured liabilities are set out in note 14.

Note 13 : Non Current liabilities - Provisions

	2010 \$	2009 \$
Provision for long service leave	57,500	28,888
	<u>57,500</u>	<u>28,888</u>

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 14 : Non-current liabilities - Borrowings

	2010 \$	2009 \$
Secured		
Lease liabilities (note 23)	-	14,106
Bank loans (a)	4,200,000	-
Other loans (b)	-	111,488
Total secured non-current borrowings	<u>4,200,000</u>	<u>125,594</u>
Total non-current borrowings	<u>4,200,000</u>	<u>125,594</u>

(a) Bank loans

This loan with the ANZ Banking Group is secured by a fixed and floating charge over the assets of the Company, and guaranteed by Woolworths Limited. Repayment is due on 1 July 2011.

(b) Other loans

These are chattel mortgages secured over specific assets to be repaid within 2-5 years.

(c) Risk exposure

Details of the Companies exposure to risks arising from current and non-current borrowings are set out in note 2.

(d) Assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the Financial Statements revert to the lessor in the event of default. Other loans are secured by fixed and floating charges over plant and equipment and motor vehicles.

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

	2010 \$	2009 \$
<i>Fixed & Floating charges</i>		
Plant and equipment	5,658,315	1,304,313
Motor vehicles	37,345	45,420
	<u>5,695,659</u>	<u>1,349,733</u>
<i>Finance lease</i>		
Plant and equipment	47,502	49,168
Motor vehicles	21,104	24,762
	<u>68,606</u>	<u>73,929</u>
Total assets pledged as security	<u>5,764,265</u>	<u>1,423,662</u>

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 15 : Contributed equity

	2010 Shares	2009 Shares	2010 \$	2009 \$
(a) Share Capital				
Ordinary shares				
Fully paid	303,918,559	302,643,559	16,586,699	15,735,908
(b) Movement in contributed equity:				
1 July (opening balance)	302,643,559	70,616,724	15,735,908	13,005,942
<i>Issues of shares during the year</i>				
Placement ORD shares issued, 6¢		2,999,999		180,000
2-1 Rights Issue ORD share issued, 1¢		147,233,446		1,472,335
Placement ORD shares issued, 1¢		1,107,500		11,075
ORD shares issued to employees, 0¢	1,275,000	4,275,000	176,625	
Placement ORD shares issued, 1.6¢		76,410,890		1,237,856
Second component of issue price .88¢ per share on 76,410,890 shares issued to Woolworths Limited			672,416	
Capital raising costs			1,750	(171,300)
30 June (closing balance)	303,918,559	302,643,559	16,586,699	15,735,908

At 30 June 2010 there were 303,918,559 ordinary shares on issue.

Ordinary shares

Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Capital risk management

The Company's objectives when managing capital are to maintain an ability to trade as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may seek to issue new shares and/or debt. Capital is monitored on its ability to fund the Company's objectives. Capital ratios monitored by management are those reported to the Company's financiers as part of its facility agreements (interest coverage, net tangible assets).

Note 16 : Reserves and accumulated losses

	2010 \$	2009 \$
(a) Share options reserve		
Movements in share options reserve were as follows:		
Balance 1 July	338,029	285,077
Transfer to contributed equity (options exercised):	-	-
Options expensed (KMP Remuneration)	7,824	52,952
Balance 30 June	345,853	338,029
The share options reserve is used to recognise the fair value of options issued but not exercised.		
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(12,102,040)	(10,064,492)
Net profit (loss) for the year	679,148	(2,037,548)
Balance 30 June	(11,422,892)	(12,102,040)

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 17 : Reconciliation of profit after income tax to net cash outflow from operating activities

	2010 \$	2009 \$
Profit (loss) for the year	679,148	(2,037,548)
Depreciation and amortisation	350,687	148,521
Share option expense	7,824	52,952
Employee share issue expense	176,625	
Loss on sale of assets		3,177
(Increase) decrease in Future Tax Benefit	(3,714,091)	
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	(630,888)	(88,846)
(Increase) decrease in other debtors	(75,990)	363,772
(Increase) decrease in inventories	(197,013)	(18,841)
Increase (decrease) in trade creditors	1,139,687	(51,436)
Increase (decrease) in other operating liabilities	106,825	80,958
Increase (decrease) in other provisions	28,612	28,888
Net cash outflow from operating activities	<u>(2,128,574)</u>	<u>(1,518,404)</u>

Note 18 : Earnings Per Share

	2010 \$	2009 \$
Basic earnings per share ("EPS") (cents)	0.2	(1.3)
Diluted earnings per share	0.2	(1.3)
(a) Basic earnings per share		
Profit (loss) used in calculating basic EPS	679,148	(2,037,548)
Weighted average number of ordinary shares used in calculating basic EPS	303,185,000	157,939,100

The profit (loss) used in the calculation of basic earnings per share equates to the net profit (loss) in the statement of comprehensive income.

The weighted average number of ordinary shares used in calculating basic earnings per share does not include potential ordinary shares such as shares under option.

(b) Diluted earnings per share

The diluted profit (loss) per share is the same as the basic profit (loss) per share as the Company's potential ordinary shares are not likely to be diluted as currently issued options are out of the money at 30 June 2010.

Note 19 : Non-cash investing and financing activities

	2010 \$	2009 \$
Acquisition of plant and equipment by means of hire purchase agreements	-	50,000

For personal use only

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 20 : Share-based payments

(a) Options granted to Directors

3,850,000 options in total were granted to Directors, Peter Nolin, Paul McKenzie, Bill Hoedemaker and John Hoedemaker on 4 December 2006 having regard to the length of service and the past and potential contribution to the Company. Shareholders approved the grant of these options at a general meeting held 30 November 2006.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of \$0.50 per share. The options vested and became exercisable over a period of two years from the grant date, with 50% vesting and exercisable after one year and the other 50% vesting and exercisable after two years. The options were further subject to a number of conditions predominately being the achievement of share price hurdles and continuity of service during the vesting periods. The options carried no dividend or voting rights.

Directors' Options - there were Nil directors options on issue at June 30 2010 and no movements in directors options during the year.

Directors' Options

2009	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
Peter Nolin	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
Paul McKenzie	04-Dec-06	04-Dec-11	\$0.50	550,000	-	-	550,000	-	-
Bill Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
John Hoedemaker	04-Dec-06	04-Dec-11	\$0.50	1,100,000	-	-	1,100,000	-	-
Total				3,850,000	-	-	3,850,000	-	-

* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds nil options at 30 June 2009 (FY08: 2,200,000). 2,200,000 options were forfeited & cancelled during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

The fair value of options granted during the 2007 year at grant date of \$403,865 was calculated independently using a Binomial pricing model that took into account the term of the options, the exercise price, the underlying value of the shares, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.50,
- market price of option at grant date, \$0.40, consistent with listing price of shares as disclosed in the prospectus,
- expected volatility of the Company's shares is 30%,
- risk-free interest rate used is 5.68%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 20 : Share-based payments (continued)

During the year ended 30 June 2009 all options granted to directors either lapsed or were voluntarily forfeited and were cancelled. On 4 December 2008, 1,100,000 of the options held by Bill Hoedemaker and John Hoedemaker vested and became exercisable. 550,000 options held by Peter Nolin and 275,000 held by Paul McKenzie did not vest and did not become exercisable. On the 4 December 2008 1,100,000 options held by Peter Nolin and 275,000 options held by Paul McKenzie automatically lapsed and were cancelled. On 16 December 2008, 2,200,000 of the options held by Bill Hoedemaker and John Hoedemaker and 275,000 options held by Paul McKenzie were voluntarily forfeited and were cancelled.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. Options which did not vest or are unlikely to vest due to non-market conditions which have been previously expensed and were credited during the year amounted to Nil (2009: (\$3,402)). The net proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was Nil for the financial year ended 30 June 2010 (2009: \$30,330).

(b) Incentive Option Scheme

The Company has in place an Option Incentive Scheme approved by Directors on 31 October 2006 with the purpose of encouraging participation by eligible employees in the Company through share ownership and to attract, motivate, and retain eligible employees. The Incentive Option Scheme is designed to provide long-term incentives for employees, including Directors, to deliver long-term shareholder returns. Under the plan, participants may be granted options which vest if certain performance or continued service standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Employee Incentive Scheme Options

2010	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Nick Hayler	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.20	750,000	-	-	-	750,000	750,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.30	750,000	-	-	-	750,000	750,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.40	750,000	-	-	-	750,000	-
Aaron Heary	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Donald Pleasance	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Total				3,000,000	-	-	-	3,000,000	2,250,000

Employee Incentive Scheme Options

2009	Date options granted	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Nick Hayler	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.20	750,000	-	-	-	750,000	750,000
Nick Hayler	19-Dec-07	19-Dec-12	\$0.30	750,000	-	-	-	750,000	-
Nick Hayler	19-Dec-07	19-Dec-12	\$0.40	750,000	-	-	-	750,000	-
Aaron Heary	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Donald Pleasance	12-Jul-07	12-Jul-12	\$0.40	250,000	-	-	-	250,000	250,000
Total				3,000,000	-	-	-	3,000,000	1,500,000

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 20 : Share-based payments (continued)

(i) Incentive Option Scheme options issued to employees - 12 July 2007

750,000 options over unissued ordinary shares were granted on 12 July 2007 to three employees of the Company in accordance with the Company's Incentive Option Scheme as part of their remuneration and having regard for their past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of \$0.40 per share. The options are only capable of being exercised if the holder is in the current employment of the Company (with an additional 30 day grace period). The options vest at grant date and have a term of 5 years.

The fair value at grant date of \$39,450 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.40,
- market price of option at grant date, \$0.215,
- expected volatility of the Company's shares is 55%,
- risk-free interest rate used is 6.40%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2010.

As the options vested immediately on the grant date the total value of the options of \$39,450 was expensed to remuneration and accounted for in the share option reserve in the financial year ended 30 June 2008.

(ii) Incentive Option Scheme options issued to Key Management Personnel - 19 December 2007

2,250,000 options in total were granted to the CEO Nick Hayler on 19 December 2007 in accordance with the Company's Incentive Option Scheme as part of his remuneration having regard to the length of service and his past and potential contribution to the Company.

Each option entitles the holder to subscribe for and be allotted one share at an exercise price of between \$0.20 and \$0.40 per share. The options were issued in three tranches, the first tranche vesting in one year from the grant date with an exercise price of \$0.20, the second tranche vesting in two years with an exercise price of \$0.30, the third tranche vesting in three years with an exercise price of \$0.40. The vesting of the options is subject to the option holder being an employee or Director of the Company during the vesting periods.

The fair value at grant date of \$49,950 was calculated internally using the Black Scholes pricing model that took into account the term of the options, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price of \$0.20 - \$0.40,
- market price of option at grant date, \$0.12,
- expected volatility of the Company's shares is 40%,
- risk-free interest rate used is 6.52%,
- time to maturity, 5 years; and
- no dividend yield was projected during the term.

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed, entities and entities in similar industries at grant date.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 20 : Share-based payments (continued)

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2010.

During the year 750,000 options vested and become exercisable.

The value of the options has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the options which was expensed to remuneration and accounted for in the share option reserve was \$7,824 for the financial year ended 30 June 2010 (2009: \$22,622)

(c) Employee Share Plan

On 27 January 2010, 1,275,000 shares were issued to employees of the Company in accordance with the Company's Employee Share Plan. (2009: 4,275,000 issued on 22 January 2009).

All eligible employees of the Company (other than Directors) received shares in recognition of their extraordinary contribution to date. The shares were issued on 27 January 2010 for nil consideration in accordance with a resolution of the Board.

Date shares issued	Number shares issued
26-Jul-07	70,000
22-Jan-09	4,275,000
27-Jan-10	1,275,000
Total	5,620,000

\$176,625 was expensed to remuneration and accounted for in contributed equity in the financial year ended 30 June 2010 (2009: Nil).

	2010 \$	2009 \$
(d) Expenses arising from Share-based payments		
Options issued to Directors (a)	-	30,330
Incentive Option Scheme (b)	7,824	22,622
Shares issued to employees (c)	176,625	-
	184,449	52,952

Note 21 : Related party transactions

(a) Key Management Personnel

Key Management Personnel as defined by AASB 124 Related Party Transactions are listed as follows:

(i) Executive Officers	
Nick Hayler	Chief Executive Officer
(ii) Executive Directors	
John Hoedemaker	Chief Financial Officer, Company Secretary
Bill Hoedemaker	Director of Operations, Brewmaster
(iii) Non-Executive Directors	
Ian Olson	Chairman
Robert Gould	
Steven Greentree	

Directors have been in office from the start of the financial year to the date of this report unless otherwise stated.

No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 21 : Related party transactions (continued)

(b) Key Management Personnel compensation	2010	2009
	\$	\$
Short-term employment benefits		
- CEO & Executive Directors	556,260	510,394
- Non-Executive Directors	102,778	112,568
Post-employment benefits	45,900	70,725
Share-based payments (note 20)	7,824	52,952
	712,762	746,639

(c) Transactions and loans with related parties

There have been no transactions or loans with Key Management Personnel and their related parties during the current or prior year.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Note 20.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by Key Management Personnel of Gage Roads Brewing Ltd, including their personally related parties, are as follows:

	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
2010				
Directors				
Ian Olson	-	-	-	-
Steven Greentree	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker	-	-	-	-
John Hoedemaker	-	-	-	-
Executive Key Management				
Nick Hayler (CEO)	2,500,000	-	-	2,500,000
	2,500,000	-	-	2,500,000

1,750,000 of the options were vested and exercisable at the year-end.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 21 : Related party transactions (continued)

	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
2009				
Directors				
Ian Olson	-	-	-	-
Brett Fraser	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker (as beneficiary)*	1,100,000	(1,100,000)	-	-
John Hoedemaker (as beneficiary)*	1,100,000	(1,100,000)	-	-
Paul McKenzie	550,000	(550,000)	-	-
Peter Nolin	1,100,000	(1,100,000)	-	-
Executive Key Management				
Nick Hayler (CEO)	2,500,000	-	-	2,500,000
	6,350,000	(3,850,000)	-	2,500,000

* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds nil options at 30 June 2009 (FY08: 2,200,000). 2,200,000 options were forfeited & cancelled during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

1,000,000 of the options were vested and exercisable at the year-end.

(iii) Shareholdings

The number of shares in the Company held during the financial year by each Director of Gage Roads Brewing Ltd, including their personally related entities, are set out below. There were no shares granted during the reporting period as compensation, nor shares received due to the exercise of options.

	Nomin- ally Held*	Balance at start of the year	Net Purchase (Sale) of shares	Employee Share Plan Shares Received	Balance at end of the year
2010					
Directors					
Ian Olson	100%	2,470,587	-	-	2,470,587
Robert Gould	0%	18,280,986	-	-	18,280,986
Steven Greentree	0%	-	-	-	-
Bill Hoedemaker*	7%	5,668,920	-	-	5,668,920
John Hoedemaker*	7%	5,668,921	-	-	5,668,921
Executive Key Management					
Nick Hayler (CEO)	6%	3,562,157	(3,069,640)	-	492,517
		35,651,571	(3,069,640)	-	32,581,931

* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds 10,528,503 ordinary shares at 30 June 2010 (FY09: 10,528,503). Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

+ Percentage of 2010 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2010.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 21 : Related party transactions (continued)

	Nomin- ally Held ⁺	Balance at start of the year	Net Purchase (Sale) of shares	Employee Share Plan Shares Received [^]	Balance at end of the year
2009					
Directors					
Ian Olson	100%	828,902	1,641,685	-	2,470,587
Brett Fraser	70%	1,034,667	112,000	-	1,146,667
Robert Gould	0%	5,974,352	12,306,634	-	18,280,986
Steven Greentree	0%	-	-	-	-
Bill Hoedemaker*	7%	3,158,920	2,510,000	-	5,668,920
John Hoedemaker*	7%	3,158,921	2,510,000	-	5,668,921
Executive Key Management					
Nick Hayler (CEO)	1%	32,500	3,529,657	-	3,562,157
		14,188,262	22,609,976	-	36,798,238

* Bill Hoedemaker and John Hoedemaker are both beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds 10,528,503 ordinary shares at 30 June 2009 (FY08: 5,528,503). 5,000,000 share were purchased during the year. Bill Hoedemaker's and John Hoedemaker's holdings as stated above includes their potential indirect entitlement as beneficiaries of the trusts.

[^] Please see note 20 "Employee Share Plan"

⁺ Percentage of 2009 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2009.

Note 22 : Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2010 \$	2009 \$
(a) Assurance services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	30,292	26,040
Total remuneration for assurance services	30,292	26,040
(b) Non-audit services		
BDO Audit (WA) Pty Ltd		
Services in relation to the underwriting agreements	-	1,342
BDO Corporate & International Tax Pty Ltd		
Services in relation to taxation advice	10,605	-
Total remuneration for non-assurance services	10,605	1,342

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 23 : Commitments

	2010 \$	2009 \$
(a) Lease commitments - Company as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	251,898	223,280
Later than one year but not later than five years	717,743	862,307
	969,641	1,085,586
Representing:		
Operating leases as per (i) below	969,223	1,081,918
Future finance charges on finance leases as per (ii) below	418	3,668
	969,641	1,085,586

(i) Operating leases

The Company leases its premises under an operating lease expiring 1 May 2014. The lease has annual CPI and 5 yearly market review escalation clauses and an option of renewal. The commitments below relate to the primary lease agreement period. The Company has the option to extend the lease for a further period of 5 years.

The Company leases a wrap packaging machine under an operating lease expiring 29 September 2013. The Company has the option to extend the lease for a further indefinite period at a peppercorn payment.

Commitments for minimum lease payments in relation to operating leases are payable as follows:

Within one year	251,480	220,000
Later than one year but not later than five years	717,743	861,918
	969,223	1,081,918

(ii) Finance leases

The Company has financed various motor vehicles with a carrying amount of \$47,136 (2009 - \$55,439) under hire purchase agreements expiring within 1 year. Under the terms of the agreements the Company has the option to acquire the hire purchase assets at pre-determined balloon amounts on the expiry of the agreements.

The company has financed a carton packaging machine under a financial lease expiring 1 September 2010.

Commitments in relation to finance leases are payable as follows:

Within one year	14,525	38,586
Later than one year but not later than five years	-	14,495
Minimum lease payments	14,525	53,081
Future finance charges	(418)	(3,668)
Total lease liabilities	14,107	49,413

Representing lease liabilities:

Current (note 12)	14,107	35,307
Non-current (note 14)	-	14,106
	14,107	49,413

The weighted average interest rate implicit in the leases is 7.98% (2009 - 8.3%).

(b) Capital Commitments

Capital expenditure of approximately \$300,000 is expected to be incurred during August and September 2010 being final commissioning and installation work required to complete the capital expansion program.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
30 June 2010

Note 24 : Events occurring after the balance sheet date

No other matter or circumstance has arisen since 30 June 2010 which has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Note 25 : Segment reporting

Management has determined that the company has two reportable segments, being proprietary brand brewing and contract brewing. As the processes from production to retailing is almost identical for both products, and they exhibit similar economic characteristics, they meet the AASB 8 criteria for aggregation.

Due to the extensive overlapping of the two reportable segments, the Board monitors the company based on overall Net Profit level along with production volumes. This internal reporting framework is considered the most relevant to assist the chief operating decision maker with making decisions regarding the company and its operating activities.

	2010	2009
	\$	\$
Revenue from external sources	5,808,702	1,331,788
Net profit before tax	(3,034,943)	(2,333,108)
Reportable segment assets	12,091,091	4,935,382

Woolworths Limited is a major customer of the company as defined by AASB 8, as revenue from that customer exceeds 10% of total revenue from external sources. The Company sells into the Woolworth's national distribution network and also to other national and international outlets.

Note 26 : Contingencies

The Company had no contingent assets or liabilities as at 30 June 2010 or 2009.

Note 27 : ASX Waiver

The ASX has granted the Company a waiver of Listing Rule 6.18 to permit Woolworths Limited to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, its percentage interest in the issued capital of the Company. This right shall lapse upon the earlier of:

- Woolworths' interest in the Company falling below 5%;
- the strategic relationship between the Company and Woolworths ceasing; and
- 30 June 2014.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAGE ROADS BREWING CO LTD

Report on the Financial Report

We have audited the accompanying financial report of Gage Roads Brewing Co Ltd, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), 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*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

For personal use only

Auditor's Opinion

In our opinion:

- (a) the financial report of Gage Roads Brewing Co Ltd is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Gage Roads Brewing Co Ltd for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien
Director

Perth, Western Australia
Dated this 24th day of August 2010

For personal use only

Gage Roads Brewing Co Ltd
Additional ASX Information
As at 23 August 2010

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in the annual report is as follows. This information is as at 23 August 2010.

Substantial Shareholders (holding more than 5%)

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Woolworths Ltd	76,410,890	25.14%
Shimin Song	51,881,412	17.07%
Top Nominees Pty Ltd	47,574,890	15.65%
Surplus Pty Ltd	18,280,986	6.02%

Top 20 Shareholders
(a) Fully Paid Ordinary Shares

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Woolworths Ltd	76,410,890	25.14%
Shimin Song	51,881,412	17.07%
Top Nominees Pty Ltd	47,574,890	15.65%
Surplus Pty Ltd	18,280,986	6.02%
Pieter Hoedemaker	10,528,503	3.46%
Aaron Heary	3,072,000	1.01%
Jane Linda Nolin	2,503,279	0.82%
Ian Peter Olson	2,470,587	0.81%
Vernon Charles & Joycelyn Edith Wheatley	2,310,000	0.76%
Giromol Pty Ltd	2,050,000	0.67%
Mark John Devine & Janet Lucy Devine	1,866,639	0.61%
J P Morgan Nominees Australia	1,500,000	0.49%
Bond Street Custodians Ltd	1,455,000	0.48%
Rokadarj Pty Ltd	1,400,000	0.46%
Bill Vlahos	1,111,817	0.37%
Stuart Charles Sands Hicks	1,076,855	0.35%
Raign Pty Ltd	1,031,250	0.34%
Paul Randell Camerer	1,026,667	0.34%
Ian Lawton Barden & Lesley Corrie Barden	1,000,000	0.33%
Jamie Phillip Boyton	1,000,000	0.33%

(b) Unlisted Options over Fully Paid Ordinary Shares

Option Holder	Unlisted Options	
	Ordinary Shares	Percentage
Nick Hayler	2,500,000	83.33%
Aaron Heary	250,000	8.33%
Donald Pleasance	250,000	8.33%
Total Options	3,000,000	100.00%

For personal use only

Gage Roads Brewing Co Ltd
Additional ASX Information
As at 23 August 2010

Additional ASX Information (continued)

Distribution of Holders of Ordinary Fully Paid Shares

Range	Total Holders	Units	Percentage
1-1,000	21	4,247	0.00%
1,001-5,000	112	481,488	0.16%
5,001-10,000	238	2,014,666	0.66%
10,001-100,000	672	26,382,717	8.68%
100,001-9,999,999	179	275,035,441	90.50%
Total	1,222	303,918,559	100.00%

As at 23 August 2010 there were 5953 Shareholders with less than marketable parcels.

Voting rights

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote. Options have no voting rights.

Shares and Options subject to escrow

As at 23 August 2010 there are nil ordinary shares and options held in escrow.

For personal use only