



24 August 2012

Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

**Appendix 4E and Annual Report FY12**

Please find attached a copy of the Appendix 4E and Annual Report FY12 that was lodged earlier this morning.

Some type spacing errors which had occurred on the initial conversion to PDF have been corrected.

- END-

John Hoedemaker  
Managing Director  
Gage Roads Brewing Co Ltd  
Tel: (08) 9314 0000

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD  
ABN 22 103 014 320

14 ABSOLON STREET PALMYRA WESTERN AUSTRALIA 6157 PO BOX 2024 PALMYRA DC WESTERN AUSTRALIA 6961  
TELEPHONE: (08) 9331 2300 FACSIMILE: (08) 9331 2400 EMAIL: [brewery@gageroads.com.au](mailto:brewery@gageroads.com.au) WEB: [www.gageroads.com.au](http://www.gageroads.com.au)

# Appendix 4E

## Preliminary Final Report

### Gage Roads Brewing Co Limited

ABN 22 103 014 320

For the financial year ended 30 June 2012

#### Results for announcement to the market

Revenue from continuing activities	up	25%	to	\$19,703,758
Profit from ordinary activities after tax attributable to members	up	309%	to	\$500,730
Net profit attributable to members	up	309%	to	\$500,730

#### 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 2012	30 June 2011
	\$	\$
	0.02	0.02

Statement of accumulated losses	30 June 2012	30 June 2011
	\$	\$
Balance 1 July	(11,300,471)	(11,422,892)
Net profit for the year	500,730	122,421
Balance 30 June	<u>(10,799,741)</u>	<u>(11,300,471)</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 2012. The previous corresponding period is the year ended 30 June 2011.

#### 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 2012.

## Commentary on the results for the year ended 30 June 2012

### Highlights

- Revenue increases 25% to \$19.7 million.
- Total production volume increases by 23%.
- NPAT increases 309% to \$500,730.
- Production efficiencies achieve 70%
- Capital expansion program on schedule

A year on from my appointment as Managing Director, it is my pleasure to report to Shareholders on the results of the Company for FY12. A number of significant achievements have been made during the year including increased sales volumes, increased profits, improved operating efficiencies, the successful launch of a number of new products and the continuous capital advancement of our brewing capabilities.

Gage Roads has the privilege of employing a fantastic group of dedicated and talented individuals who working together as a whole have met the various challenges that have presented themselves during the year. The Gage Roads team members have delivered these positive results for the Company and I wish to acknowledge and thank them for their steadfast support of our Company's goals and the substantial efforts that they have undertaken to help the Company deliver these FY12 results.

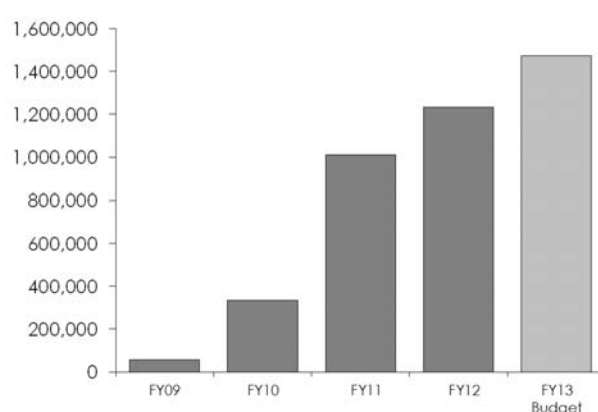
This year saw solid growth in sales volumes resulting in Revenue for FY12 of \$19.7 million, an increase of 25% in comparison with the corresponding full year period (2011:\$15.8 million). While maintaining a consistent gross profit, the growth in sales was driven by a 15% uplift of contract brewed products and a 119% uplift of Gage Roads proprietary products during the year.

Correspondingly earnings before interest and taxes (EBIT) grew 107% to \$1.2 million (FY11: \$0.6 million), delivering the second full year operating profit for the Company. The FY12 result endorses the change in the Company's strategic direction undertaken in FY10 to invest in capital expansion. This enabled the change of the business from a higher margin, lower volume, high cost predominantly niche brewer towards a higher volume, lower margin, low cost business which includes a greater proportion of contract brewed products.

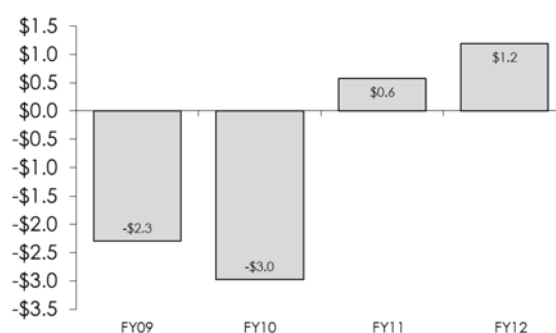
During the year the employees of Gage Roads also advanced cultural change on a number of levels throughout the Company. Commencing with a fresh corporate mission statement the Gage Roads team focused on some of our core values including staying true to our obsession with quality, improving Gage Roads as a great place of work, making Gage Roads an easier place to do business for both our suppliers and customers and continuously improving productivity thereby improving the value of our products for our customers.

This continuing program effected significant and lasting change and resulted in immediate dividends such as improved retention of our skilled employees, improvements in the quality and consistency of our products and improvements of productivity. This cultural change helped the business achieve an internal goal of 70% operating efficiency, representing a vast improvement in labour utilisation, a reduction in downtime and a reduction of wasted resources.

**Sales Volume (Cartons)**



**EBIT (Millions)**



In June 2011 the Company embarked on a \$9.6 million four year capital expansion program, with the primary objective to increase the Company's production capacity from 1.2 million to 2.9 million cartons of beer, cider and other beverages per annum by FY15. The capital expansion program is also tasked with improving the overall manufacturing efficiency and profitability of the Company's brewing and packaging operations by 50% over the time frame. Specific improvements expected to be realised include improved direct raw material utilisation, reductions in variable production costs and reductions in packaging and brewery labour costs per carton.

During FY12 additional orders were placed for an automated cellar system, an automated clean in place (CIP) system, a yeast management system and four 100hL fermentation tanks. These items were identified as having a significant contribution towards achieving the two goals. These additional items will add \$2.8 million to the capital expansion program and are expected to be funded by the operating profitability of the business.

Currently the capital expansion program is on schedule and major site preparation works are progressing well. The new building to house the Kronos CombiCube has been constructed and the new 100hL brewhouse having arrived from Germany is in the process of being unpacked and installed. The new brewhouse and ancillary equipment is expected to be installed and commissioned during September with commercial brewing expected to commence in October in time for the seasonally higher demand for beer in summer.

In July having been appointed Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division, Steve Greentree resigned as a Director of Gage Roads and was replaced on the board by Mr Brad Banducci who had accepted the role of Director - Woolworths Liquor Group. I would like to thank Steven Greentree for his outstanding contribution to Gage Roads Brewing Co in being a key supporter of the private label strategic partnership with Woolworths Limited.

I also take this opportunity to welcome Brad Banducci to the board and with his distinguished background in corporate management consulting and his extensive experience in the beverage industry, direct sales channels and beverage manufacturing I believe he will make a positive impact on the business.

FY12 was a successful year for the Company and marks a continuing trend towards growth of profitability and confirms the strategic direction of the Company. I look forward to completing the various stages of the four year capital expansion program on schedule and delivering growing profits and increased value to Shareholders and employees as the Company takes advantage of its growing production capabilities.



John Hoedemaker

**Managing Director**

Gage Roads Brewing Co Ltd  
Tel: (08) 9314 0000

Further detailed commentary on the results for the year ended 30 June 2012 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: 24 August 2012

Name:

John Hoedemaker



---

**GAGE ROADS BREWING CO LIMITED  
ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

**ABN 22 103 014 320**

---

**Gage Roads Brewing Co Ltd**  
**Annual Report**  
**For the Year Ended 30 June 2012**

---

## **Corporate Directory**

### **Directors**

Ian Olson (Chairman)  
Robert Gould  
Brad Banducci  
Bill Hoedemaker  
John Hoedemaker

### **Managing Director**

John Hoedemaker

### **Company Secretary**

John Hoedemaker

### **Principal Place of Business & Registered Office**

14 Absolon Street  
PALMYRA WA 6157  
Tel: (08) 9314 0000  
Fax: (08) 9331 2400

Web: [www.gageroads.com.au](http://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 2012**

---

**Contents**

Chairman's Letter .....	4
Review of Operations .....	5
Directors' Report .....	7
Corporate Governance Statement .....	20
Auditor's Independence Declaration .....	24
Directors' Declaration.....	25
Statement of Comprehensive Income.....	26
Statement of Financial Position.....	27
Statement of Changes in Equity .....	28
Statement of Cash Flows.....	29
Notes to the Financial Statements .....	30
Independent Auditor's Report .....	56
ASX Additional Information .....	58



**Gage Roads Brewing Co Ltd**  
**Chairman's Letter**  
**For the Year Ended 30 June 2012**

---

Dear Shareholder

On behalf of your Board I am pleased to report a second successive year of profitable trading from operations.

The after-tax result of \$0.5 million was generated in a challenging operational environment that combined continuous change in the brewery as we progressed through the capital expansion program with varying seasonal demands from our largest customer and major Shareholder Woolworths.

The capital expansion program is proceeding as planned and our new automated brewhouse is currently being installed for commissioning in September and production from October. This will drive greater efficiency and lower costs and will assist us in working towards our goal of becoming one of Australia's most profitable contract brewing businesses.

Under the stewardship of Managing Director John Hoedemaker, the team at Gage Roads has generated record sales of our own range of products and has facilitated Woolworth's continued growth in its private label range, resulting in combined sales of more than 1.2 million cartons.

The outlook for FY13 is positive and we expect to grow both volumes and earnings. We are operating in an incredibly dynamic and competitive market where demand and pricing are influenced by both domestic and international pressures. Accordingly we remain optimistic about the future and are mindful of the need to stay true to our entrepreneurial history and remain a nimble and agile business, capable of responding quickly to changes in our operating environment.

I would like once again to thank the team at Gage Roads, my fellow Board members and of course our Shareholders for their ongoing support and faith in our vision.



Ian Olson

**Chairman**

**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Year Ended 30 June 2012**

---

## Review of Operations

### Highlights

- Revenue increases 25% to \$19.7 million.
- Total production volume increases by 23%.
- NPAT increases 309% to \$500,730.
- Production efficiencies achieve 70%
- Capital expansion program on schedule

A year on from my appointment as Managing Director, it is my pleasure to report to Shareholders on the results of the Company for FY12. A number of significant achievements have been made during the year including increased sales volumes, increased profits, improved operating efficiencies, the successful launch of a number of new products and the continuous capital advancement of our brewing capabilities.

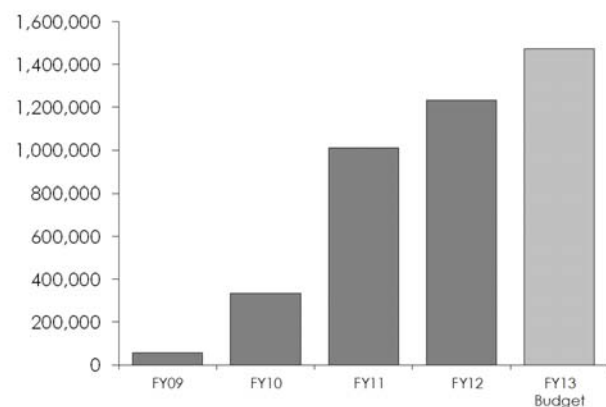
Gage Roads has the privilege of employing a fantastic group of dedicated and talented individuals who working together as a whole have met the various challenges that have presented themselves during the year. The Gage Roads team members have delivered these positive results for the Company and I wish to acknowledge and thank them for their steadfast support of our Company's goals and the substantial efforts that they have undertaken to help the Company deliver these FY12 results.

This year saw solid growth in sales volumes resulting in Revenue for FY12 of \$19.7 million, an increase of 25% in comparison with the corresponding full year period (2011:\$15.8 million). While maintaining a consistent gross profit, the growth in sales was driven by a 15% uplift of contract brewed products and a 119% uplift of Gage Roads proprietary products during the year.

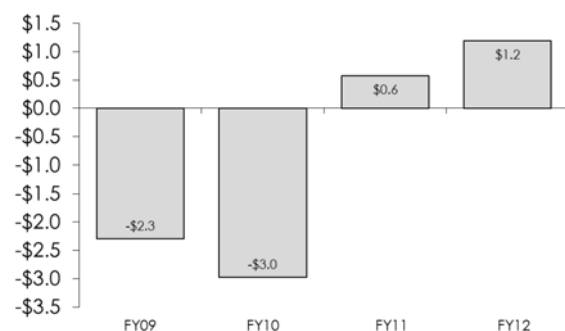
Correspondingly earnings before interest and taxes (EBIT) grew 107% to \$1.2 million (FY11: \$0.6 million), delivering the second full year operating profit for the Company. The FY12 result endorses the change in the Company's strategic direction undertaken in FY10 to invest in capital expansion. This enabled the change of the business from a higher margin, lower volume, high cost predominantly niche brewer towards a higher volume, lower margin, low cost business which includes a greater proportion of contract brewed products.

During the year the employees of Gage Roads also advanced cultural change on a number of levels throughout the Company. Commencing with a fresh corporate mission statement the Gage Roads team focused on some of our core values including staying true to our obsession with quality, improving Gage Roads as a great place of work, making Gage Roads an easier place to

**Sales Volume (Cartons)**



**EBIT (Millions)**



**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Year Ended 30 June 2012**

---

do business for both our suppliers and customers and continuously improving productivity thereby improving the value of our products for our customers.

This continuing program effected significant and lasting change and resulted in immediate dividends such as improved retention of our skilled employees, improvements in the quality and consistency of our products and improvements of productivity. This cultural change helped the business achieve an internal goal of 70% operating efficiency, representing a vast improvement in labour utilisation, a reduction in downtime and a reduction of wasted resources.

In June 2011 the Company embarked on a \$9.6 million four year capital expansion program, with the primary objective to increase the Company's production capacity from 1.2 million to 2.9 million cartons of beer, cider and other beverages per annum by FY15. The capital expansion program is also tasked with improving the overall manufacturing efficiency and profitability of the Company's brewing and packaging operations by 50% over the time frame. Specific improvements expected to be realised include improved direct raw material utilisation, reductions in variable production costs and reductions in packaging and brewery labour costs per carton.

During FY12 additional orders were placed for an automated cellar system, an automated clean in place (CIP) system, a yeast management system and four 100hL fermentation tanks. These items were identified as having a significant contribution towards achieving the two goals. These additional items will add \$2.8 million to the capital expansion program and are expected to be funded by the operating profitability of the business.

Currently the capital expansion program is on schedule and major site preparation works are progressing well. The new building to house the Kronen CombiCube has been constructed and the new 100hL brewhouse having arrived from Germany is in the process of being unpacked and installed. The new brewhouse and ancillary equipment is expected to be installed and commissioned during September with commercial brewing expected to commence in October in time for the seasonally higher demand for beer in summer.

In July having been appointed Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division, Steve Greentree resigned as a Director of Gage Roads and was replaced on the board by Mr Brad Banducci who had accepted the role of Director - Woolworths Liquor Group. I would like to thank Steven Greentree for his outstanding contribution to Gage Roads Brewing Co in being a key supporter of the private label strategic partnership with Woolworths Limited.

I also take this opportunity to welcome Brad Banducci to the board and with his distinguished background in corporate management consulting and his extensive experience in the beverage industry, direct sales channels and beverage manufacturing I believe he will make a positive impact on the business.

FY12 was a successful year for the Company and marks a continuing trend towards growth of profitability and confirms the strategic direction of the Company. I look forward to completing the various stages of the four year capital expansion program on schedule and delivering growing profits and increased value to Shareholders and employees as the Company takes advantage of its growing production capabilities.



John Hoedemaker

**Managing Director**

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

## **Directors' Report**

Your Directors present their report on Gage Roads Brewing Co Limited for the year ended 30 June 2012.

### **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	
Brad Banducci	(Appointed 26 July 2012)
Steven Greentree	(Resigned 26 July 2012)
Bill Hoedemaker	
John Hoedemaker	(Appointed Managing Director 17 August 2011)

### **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 of the Company for the financial year after providing for income tax amounted to \$500,730 (2011: \$122,421).

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) **Revenue and Volume Growth** - This year saw solid growth in sales volumes resulting in Revenue for FY12 of \$19.7 million, an increase of 25% in comparison with the corresponding full year period (2011:\$15.8 million). While maintaining a consistent gross profit, the growth in sales was driven by a 15% uplift of contract brewed products and a 119% uplift of Gage Roads proprietary products during the year.
- (b) **Capital Expansion Program** - In June 2011 the Company embarked on a \$9.6 million capital expansion program of the Palmyra (WA) brewing facility designed to take the Company's production capacity to 2.9 million cartons of beer, cider and other beverages per annum by FY15 and reduce operating costs by 50%.  
In FY12 additional capital items added to the expansion program having been identified as having a significant contribution towards achieving the two goals included the ordering of an automated cellar system, an automated clean in place (CIP) system, a yeast management

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

system and four 100hL fermentation tanks. These additional items will add \$2.8 million to the capital expansion program.

A key benefit of the capital expansion program is the expected improvement in the overall manufacturing efficiency and profitability of the Company's brewing and packaging operations. Specific improvements expected to be realised over the 4 year timeframe include improved direct raw material utilisation, reductions in variable production costs and reductions in packaging and brewery labour costs per carton.

During FY12, the Company has made significant progress into this program. Improvements to the packaging line have already been completed with the focus now shifting on implementing the CombiCube brewhouse and ancillary items from Krones in Germany. The Company anticipates commissioning of the brewhouse in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of FY13.

The budgeted \$12.4 million cost of the capital expansion program is partly funded by ANZ's \$9.7m facility with the balance of funds expected to be met from ongoing operating surpluses.

(c) **Shares Issued** – On 28 October 2011, 8,916,000 shares were issued to Woolworths Limited at an issue price of \$0.066 per share in accordance with the Subscriber Rights Deed as approved by Shareholders on 29 June 2009.

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

On 26 July 2012 Steven Greentree resigned from his position as Non-Executive Director following his appointment to Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division. Steven was replaced on the Board of Gage Roads by Mr Brad Banducci, effective 26 July 2012, who has recently accepted the role of Director - Woolworths Liquor Group.

No other matter or circumstance has arisen since 30 June 2012, 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.

**Information on Directors**

**Ian Olson** CA, BCom, MAICD

*(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, Chairman of the Remuneration Committee, member of the Audit and Remuneration Committee.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

*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* - None.

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

*Interests (direct and indirect) in shares and options* - 1,000,000 shares and nil options in the Company.

**Brad Banducci** BCom, LLB, MBA

*(Non-Executive, appointed 26 July 2012)*

*Experience and expertise* - Brad Banducci was formally CEO of the Cellarmasters Group and joined Woolworths following the acquisition of that business last year. Brad has a distinguished business background in Australia and internationally including 14 years with The Boston Consulting Group where he was a Vice President and Director. He has extensive experience in the beverage industry, direct sales channels and beverage manufacturing. Brad was appointed to his current role in the Liquor Group in July 2012 and has responsibility for all Woolworths retail liquor brands (BWS, Dan Murphy's, Woolworths Liquor), Cellarmasters, Dorrien Winemaking and Vinpac bottling.

*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.

**Steven Greentree** AAICD

*(Non-Executive, appointed 30 June 2009, resigned 26 July 2012)*

*Experience and expertise* - Steven Greentree was the General Manager of Woolworths' liquor group. Steven has since been appointed to Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division. Steven had responsibility for all Woolworths retail liquor brands (BWS, Dan Murphy's, Woolworths Liquor), Cellarmasters, Dorrien Winemaking and Vinpac bottling. 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 and a member of the Woolworths Management Board.

*Other current public directorships* - None.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

*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.*

**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 13 years, of which 4 were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last 9 years as Brewmaster for Gage Roads. Bill is responsible for capital infrastructure including the current \$12.4 million expansion designed to increase the Company's capacity to 2.9 million cartons by FY15. Bill also 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 - 6,404,669 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 10,171,966 shares and nil options in the Company.*

**John Hoedemaker** BCom

*(Managing Director, appointed 17 August 2011, Chief Financial Officer and Company Secretary, appointed 3 December 2002)*

*Experience and expertise - John is a founding Shareholder and Director of Gage Roads. He has played a key role in achieving profitability by developing and implementing the growth and cost reduction strategies for the business. John has an acute understanding of both the Company's operational needs and financial requirements. John is responsible for the strategic planning, leadership and management of the operations of the Company and the financial accounting, governance and administration aspects of the business. 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 - 10,404,669 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 10,171,966 shares and nil options in the Company.*

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

**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 2012, 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)	8	8	2	2	1	1
Robert Gould (Non-Executive)	8	7	2	1	1	1
Steven Greentree (Non-Executive)	8	8	n/a	n/a	n/a	n/a
Bill Hoedemaker (Executive)	8	7	n/a	n/a	n/a	n/a
John Hoedemaker (Executive)	8	8	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**

There were no unissued ordinary shares under option at the date of this report (2011: Nil).

**Shares issued on the exercise of options**

There were no shares issued on the exercise of options during the year ended 30 June 2012 (2011: Nil).

**Options granted to Directors**

No options over unissued ordinary shares were granted to Directors during the year ended, 30 June 2012 (2011: 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 2012 (2011: Nil).

**Options cancelled, forfeited or lapsed**

No options were voluntarily forfeited or cancelled during the year ended 30 June 2012 (2011: 3,000,000).

**Shares issued to Directors**

On 7 October 2011, 16,000,000 shares were issued to two Directors of the Company at an issue price of 6.2 cents per share and corresponding non-recourse loans totalling \$992,000 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company. This issue was approved by the Shareholders of the Company at an Annual General Meeting held on 29 September 2011.



**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

<b>Date shares issued</b>	<b>Number of shares issued</b>	<b>Value of shares</b>
07-Oct-11	16,000,000	\$992,000
	<b>16,000,000</b>	<b>\$992,000</b>

Details of the shares issued to Directors can be found in the Remuneration Report and at note 18 to the Financial Statements.

**Shares issued to Employees**

During the year 11,200,000 shares were issued to eligible employees of the Company at an issue price of 6.2 to 6.7 cents per share and corresponding non-recourse loans totalling \$696,900 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company. These issues was approved by the Shareholders of the Company at an Annual General Meeting held on 29 September 2011.

<b>Date shares issued</b>	<b>Number of shares issued</b>	<b>Value of shares</b>
07-Oct-11	8,000,000	\$496,000
22-Nov-11	2,700,000	\$167,400
08-Feb-12	500,000	\$33,500
	<b>11,200,000</b>	<b>\$696,900</b>

Details of the shares issued to eligible employees can be found in the Remuneration Report and at note 18 to the Financial Statements.

**Gage Roads Brewing Co Ltd  
Remuneration Report  
For the Year Ended 30 June 2012**

---

**Audited 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
- (d) *other benefits* - Key Management Executives and Executive Directors are eligible to participate in superannuation schemes, be entitled to have loss of income insurance paid by the Company, be provided a fully expensed Company car or Company car allowance and be provided a fully expensed mobile phone and other forms of remuneration if deemed appropriate.

There is no Company policy in place at this point in time in relation to prohibiting margin lending against financial instruments granted to Directors or Key Management Personnel.

The objective of the Company's remuneration policy for Directors and other Key Management Personnel is to ensure reward for performance is adequate and appropriate for the results delivered, taking into account competitiveness, reasonableness, acceptability to Shareholders and transparency. Equity instruments issued may be for services rendered by eligible employees and Directors to date and, going forward, for services rendered by existing and any new eligible employees and Directors who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and Directors for their ongoing commitment and contribution to the Company.

**Gage Roads Brewing Co Ltd  
Remuneration Report  
For the Year Ended 30 June 2012**

An Employee and Executive Share Plan provides some senior executives with incentive over and above their base salary. The allocation of shares under the Employee and Executive Share Plan is not subject to performance conditions of the Company. The reasons for establishing the Employee and Executive Share Plan were:

- (a) To align the interests of senior management with Shareholders. The Employee and Executive Share Plan provides employees with incentive to strive for long term profitability which is in line with Shareholder objectives; and
- (b) To provide an incentive for employees to extend their employment terms with the Company. The experience of senior employees is an important factor in the long term success of the Company.

***Details of remuneration***

Details of the remuneration of the Directors and Key Management Personnel (as defined in AASB 124 Related Party Disclosures) of the Company for the financial year are set out in the following tables. The Key Management Personnel of the Company are the following Non-Executive and Executive Directors and officers of the Company:

*Executive Directors*

John Hoedemaker	Managing Director (appointed 17 August 2011) Chief Financial Officer and Company Secretary
Bill Hoedemaker	Director of Operations and Brewmaster

*Non-Executive Directors*

Ian Olson	Chairman
Robert Gould	
Steven Greentree	Resigned 26 July 2012
Brad Banducci	Appointed 26 July 2012

*Executive Officers*

Nick Hayler	Chief Executive Officer (resigned 17 August 2011)
Aaron Heary	General Manager - Operations

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.

**2012 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	Shares	
	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors</i>							
Ian Olson	75,000	-	1,525	-	-	-	76,525
Robert Gould	50,000	-	1,525	-	-	-	51,525
Steven Greentree	-	-	1,525	-	-	-	1,525
<i>Sub-total Non-Exec Directors</i>	<i>125,000</i>	<i>-</i>	<i>4,575</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>129,575</i>
<i>Executive Key Management</i>							
Bill Hoedemaker	200,962	-	30,331	18,087	-	64,209	313,589
John Hoedemaker (MD)	216,384	-	15,962	19,475	-	107,014	358,835
Aaron Heary	163,983	-	14,099	14,759	-	85,611	278,452
Nick Hayler (resigned 17 August 2011)	56,168	-	2,756	2,850	140,000	-	201,774
<i>Sub-total Executive</i>	<i>637,497</i>	<i>-</i>	<i>63,148</i>	<i>55,171</i>	<i>140,000</i>	<i>256,834</i>	<i>1,152,650</i>
<b>Totals</b>	<b>762,497</b>	<b>-</b>	<b>67,723</b>	<b>55,171</b>	<b>140,000</b>	<b>256,834</b>	<b>1,282,225</b>

**Gage Roads Brewing Co Ltd  
Remuneration Report  
For the Year Ended 30 June 2012**

**2011 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	50,000	-	1,052	-	-	-	51,052
Robert Gould	50,000	-	1,052	-	-	-	51,052
Steven Greentree	-	-	1,052	-	-	-	1,052
<i>Sub-total Non-Exec Directors</i>	<i>100,000</i>	<i>-</i>	<i>3,156</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>103,156</i>
<i>Executive Key Management</i>							
Nick Hayler (CEO)	190,000	-	14,526	17,100	-	3,175	224,801
Bill Hoedemaker	195,642	-	9,198	15,750	-	-	220,590
John Hoedemaker (MD)	175,000	-	12,830	15,750	-	-	203,580
<i>Sub-total Executive</i>	<i>560,642</i>	<i>-</i>	<i>36,554</i>	<i>48,600</i>	<i>-</i>	<i>3,175</i>	<i>648,971</i>
<b>Totals</b>	<b>660,642</b>	<b>-</b>	<b>39,710</b>	<b>48,600</b>	<b>-</b>	<b>3,175</b>	<b>752,127</b>

***Service agreements***

Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements. New agreements for Bill Hoedemaker and John Hoedemaker were formalised on 16 August 2011. The significant terms of employment at the date of this report are set out below:

*Bill Hoedemaker - Director of Operations - Brewmaster*

- Term of agreement: No fixed term.
- Base salary: \$190,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

*John Hoedemaker – MD, CFO and Company Secretary*

- Term of agreement: No fixed term.
- Base salary: \$220,000 pa, reviewed annually by the Remuneration Committee.
- Termination notice period: 8 month notice (without cause).
- Termination notice period: 4 month notice (with cause)

*Aaron Heary – General Manager, Operations*

- Term of agreement: No fixed term.
- Base salary: \$170,000 pa.
- Termination notice period: 1 month notice (without cause).
- Termination notice period: 1 month notice (with cause)

No Director or executive is entitled to any termination payments apart from payment in lieu of the notice periods outlined above, 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  
Remuneration Report  
For the Year Ended 30 June 2012**

**Share-based compensation**

*Shares issued to key management personnel*

On 7 October 2011, 24,000,000 shares were issued to key management personnel of Gage Roads Brewing Co Ltd under an Executive and Employee Plan that was approved by Shareholders at the Company's Annual General Meeting on 29 September 2011. These shares have been issued to employees under the following terms:

- (a) Shares were issued at a price of 6.2 cents each which was the volume weighted average price of Shares sold on the ASX over the five (5) trading days prior to the date of issue.
- (b) Entitlement to 50% of the beneficial interest of the shares vested to key management personnel after they have completed one (1) year of employment with the company from the date of issue of the shares, and entitlement to the remaining 50% of the beneficial interest of the shares vested to employees after they have completed two (2) years of employment from the date of issue of the shares;
- (c) Shares issued under this plan have been paid for by employees who have been provided with an interest free, non-recourse loan by the Company.

Date shares issued	Number of shares issued	Value of shares
07-Oct-11	24,000,000	\$1,488,000

The details relating to the allocation of shares to Directors and Key Management Personnel under the Executive and Employee Plan are as follows:

Name	Date of Issue	No. of shares issues	Shares vested to end of FY 12	Shares forfeited in the year	Financial Year in which shares vest	Nature of shares	Minimum value of grant yet to be vested (1)	Maximum value of grant yet to be vested (2)
John Hoedemaker	07/10/11	10,000,000	0%	0%	2013 – 50% 2014 – 50%	Ordinary Shares	\$107,014	\$147,408
Bill Hoedemaker	07/10/11	6,000,000	0%	0%	2013 – 50% 2014 – 50%	Ordinary Shares	\$64,209	\$88,445
Aaron Heary	07/10/11	8,000,000	0%	0%	2013 – 50% 2014 – 50%	Ordinary Shares	\$85,611	\$117,926

Notes:

1. The minimum benefit is based on the fact that the vesting criteria for the shares on issue have not yet been met.
2. The maximum value if based on the value that is calculated at the time that the shares were issued.

Details of the non-recourse loan shares issued to employees can be found at Note 18 to the Financial Statements.

*Options granted to Key Management Personnel*

No options over unissued ordinary shares were granted to Key Management Personnel during the year ended 30 June 2012 (2011: Nil).

There were no options over unissued ordinary shares granted to Key Management Personnel in existence at the date of this report (2011: Nil). Details of the options forfeited and cancelled by Key Management Personnel during the year can be found at Note 18 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 (2011: Nil).

**Gage Roads Brewing Co Ltd**  
**Remuneration Report**  
**For the Year Ended 30 June 2012**

---

All options were valued using the Black Scholes 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 19 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 2012 (2011: Nil).

***Use of remuneration consultants***

In August 2011 Gage Roads' Remuneration Committee employed the services of PJ Kinder Consulting Pty Ltd to review its existing remuneration policies and to provide recommendations in respect of both executive and short-term and long-term incentive plan design. The recommendations also covered the Company's Key Management Personnel. Under the terms of the engagement, PJ Kinder Consulting Pty Ltd provided remunerations recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$7,500 for these services.

PJ Kinder Consulting Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Company's Key Management Personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- (a) PJ Kinder Consulting Pty Ltd was engaged by, and reported to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the Board.
- (b) The report containing the remuneration recommendations was provided by PJ Kinder Consulting Pty Ltd directly to the chair of the remuneration committee; and
- (c) PJ Kinder Consulting Pty Ltd was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, PJ Kinder Consulting Pty Ltd was not permitted to provide any members of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence the Board is satisfied that the recommendations were made free from undue influence from any members of the Key Management Personnel.

***Voting and comments made at the Company's 2011 Annual General Meeting***

Gage Roads Brewing Co Ltd received more than 99.4% of "Yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Year Ended 30 June 2012**

---

**Loans to Directors and Executives**

The Company has not made any loans to Directors or Executives other than the non-recourse loans as disclosed in Note 18 during the financial year to 30 June 2012 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 2011 to 30 June 2012 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 \$7,792 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 24.

**Gage Roads Brewing Co Ltd  
Directors' Report  
For the Year Ended 30 June 2012**

---

**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.

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:

Assurance services

BDO Audit (WA) Pty Ltd: Audit and review of financial reports and other audit work under the *Corporations Act 2001* \$52,062 (2011: \$32,577).

Non-audit services

BDO Corporate & International Tax Pty Ltd: Services in relation to treatment of loan-funded share scheme \$801 (2011: \$Nil).

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 24<sup>th</sup> day of August 2012



**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2012**

---

## **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 2<sup>nd</sup> Edition (including 2010 Amendments) (**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.

### *Share Trading*

The Company's current Security Trading Policy provides guidelines for buying and selling securities in the Company by Directors and employees. Full details of The Securities Trading Policy have been posted on the Company's website.

### *Corporate Governance Policy*

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](http://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 Managing Director 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

**Gage Roads Brewing Co Ltd  
Corporate Governance Statement  
For the Year Ended 30 June 2012**

---

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 diversity and disclose the policy or a summary that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and the progress in achieving them.* The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company is yet to develop a formal diversity policy which outlines the Company's diversity objectives in relation to gender, age, religion, cultural background and ethnicity, however, the Company's existing employment policies prohibits discrimination on the basis of gender. As the Company grows, the Board will continue to consider the need for a formal diversity policy.

3.3 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.* The Board believes in the value of diversity but does not believe that given the size of the Company and the resources available to it, that formalising measurable objectives for achieving gender diversity are appropriate. As per the response to recommendation 3.2, the Board is yet to develop a formal diversity policy. As the Company grows, the Board will continue to consider the need for a formal diversity policy including formalising measurable objectives for achieving gender diversity.

3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.*

	<b>Number of Women Employees</b>	<b>Proportion</b>
Board of Directors	0	0%
Senior Management	0	0%
Employees	7	14%

**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:*

**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2012**

---

- (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 independent and Non-Executive Directors Ian Olson and Robert Gould (Chairman of the Audit Committee). The Audit Committee Chairman is independent and is not the chairperson of the Board. Whilst two members 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 updates, all of which are posted on the Company's website at [www.gageroads.com.au](http://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.

**Gage Roads Brewing Co Ltd**  
**Corporate Governance Statement**  
**For the Year Ended 30 June 2012**

---

- 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 independent Non-Executive Directors Ian Olson and Robert Gould.
- 8.2 *The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.* Whilst having two members is not in accordance with the Best Practice Recommendations, the Company is of the view that the Remuneration Committee is of sufficient size and independence to discharge its mandate effectively and the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned.
- 8.3 *Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.* During the financial year ending 30 June 2012 Non-Executive Director and Chairman Ian Olson was paid a set fee of \$75,000 per annum and Non-Executive Director Robert Gould paid a set fee of \$50,000 per annum. The Company's Constitution provides that the remuneration of Non-Executive Directors will 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.

24 August 2012

Gage Roads Brewing Co Limited  
The Board of Directors  
14 Absolon Street  
PALMYRA WA 6157

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF  
GAGE ROADS BREWING CO. LIMITED**

As lead auditor for the audit of Gage Roads Brewing Co. Limited for the year ended 30 June 2012, 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; and
- any applicable code of professional conduct in relation to the audit.



**Peter Toll**  
Director

**BDO Audit (WA) Pty Ltd,**  
Perth, Western Australia

**Gage Roads Brewing Co Ltd**  
**Directors' Declaration**  
**As at 30 June 2012**

---

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 other mandatory professional reporting requirements 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 2012 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 Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Financial Reporting Standards.
- (d) The Directors have been given the declarations by the Managing Director 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:



**Chairman**

Palmyra

Dated this 24th day of August 2012

**Gage Roads Brewing Co Ltd**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2012**

	Notes	2012 \$	2011 \$
<b>Revenue from continuing operations</b>			
Sales revenue		19,695,622	15,775,380
Interest revenue		8,136	5,445
	3	<u>19,703,758</u>	<u>15,780,825</u>
Other income		104,899	6,011
Raw materials, consumables & delivery		(10,288,874)	(8,074,192)
Operating expenses		(2,751,466)	(1,894,759)
Employee benefit expenses		(3,873,689)	(3,855,300)
Depreciation and amortisation expenses	4	(439,672)	(349,622)
Impairment Charges	4	(138,122)	-
Sales and marketing expenses		(221,289)	(233,070)
Administration expenses		(634,810)	(542,209)
Occupancy expenses		(267,706)	(260,122)
Finance costs	4	(360,621)	(363,707)
<b>Profit before income tax</b>		<u>832,408</u>	<u>213,855</u>
Income tax expense	5	(331,678)	(91,434)
<b>Profit for the year</b>		<u>500,730</u>	<u>122,421</u>
<b>Total comprehensive income for the year</b>		<u>500,730</u>	<u>122,421</u>
<b>Profit and other comprehensive income attributable to the members of Gage Roads Brewing Co Ltd</b>		<u>500,730</u>	<u>122,421</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic profit per share (cents)	17	0.15	0.04

*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 2012**

	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,580,241	2,084,661
Trade and other receivables	7	1,564,516	680,692
Inventories	8	1,075,439	888,644
<b>Total current assets</b>		<u>4,220,196</u>	<u>3,653,997</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	14,040,296	7,504,549
Deferred tax assets	5	3,290,980	3,622,657
Intangible assets	10	9,841	3,769
<b>Total non-current assets</b>		<u>17,341,117</u>	<u>11,130,975</u>
<b>Total assets</b>		<u>21,561,314</u>	<u>14,784,972</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	4,739,218	4,722,993
Borrowings	11	28,660	46,174
<b>Total current liabilities</b>		<u>4,767,878</u>	<u>4,769,167</u>
<b>Non-current liabilities</b>			
Provisions	12	107,899	92,800
Borrowings	13	9,611,543	4,200,000
<b>Total non-current liabilities</b>		<u>9,719,442</u>	<u>4,292,800</u>
<b>Total liabilities</b>		<u>14,487,320</u>	<u>9,061,967</u>
<b>Net assets</b>		<u>7,073,994</u>	<u>5,723,005</u>
<b>EQUITY</b>			
Contributed equity	14	17,262,904	16,674,448
Share options reserve	15	610,831	349,028
Accumulated losses	15	(10,799,741)	(11,300,471)
<b>Total equity</b>		<u>7,073,994</u>	<u>5,723,005</u>

*The above Statement of Financial Position 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 2012**

	Notes	Contributed equity \$	Accumulated losses \$	Share Option reserve \$	Total equity \$
<b>Balance at 1 July 2010</b>		16,586,699	(11,422,892)	345,853	5,509,660
<b>Total comprehensive income for the year</b>		-	122,421	-	122,421
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital, net of transaction costs	14	-	-	-	-
Employee and other share options expensed		-	-	3,175	3,175
Employee share plan shares expensed	14	87,749	-	-	87,749
<b>Balance at 30 June 2011</b>		<b>16,674,448</b>	<b>(11,300,471)</b>	<b>349,028</b>	<b>5,723,005</b>
<b>Total comprehensive income for the year</b>		-	500,730	-	500,730
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital, net of transaction costs		588,456	-	-	588,456
Employee and other share options expensed	15	-	-	261,803	261,803
<b>Balance at 30 June 2012</b>		<b>17,262,904</b>	<b>(10,799,741)</b>	<b>610,831</b>	<b>7,073,994</b>

*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 2012**

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		34,787,088	28,652,444
Payments to suppliers and employees (inclusive of GST)		<u>(34,259,315)</u>	<u>(24,792,529)</u>
		527,773	3,859,915
Interest received		8,136	5,445
Interest paid		<u>(360,622)</u>	<u>(363,707)</u>
<b>Net cash inflow / (outflow) from operating activities</b>	16	<u>175,287</u>	<u>3,501,653</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(6,662,192)</u>	<u>(2,263,205)</u>
<b>Net cash outflow from investing activities</b>		<u>(6,662,192)</u>	<u>(2,263,205)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities (gross)		588,456	-
Proceeds from borrowings		6,103,526	102,315
Repayment of borrowings		<u>(709,496)</u>	<u>(145,368)</u>
<b>Net cash inflow / (outflow) from financing activities</b>		<u>5,982,486</u>	<u>(43,053)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(504,419)</b>	1,195,395
Cash and cash equivalents at the beginning of the financial year		<u>2,084,661</u>	<u>889,266</u>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>1,580,241</u>	<u>2,084,661</u>

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

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**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 have 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 judgement in the process of applying the Company's accounting policies. The major area involving a higher degree of judgement 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).

*Going concern*

At 30 June 2012, the company had a working capital deficiency of \$547,681. The company has entered into agreements with its financiers to provide banking facilities of \$9.7 million to fund working capital and the future expansion of the company's facilities. The banking facility is secured over the assets of the company and Woolworths Limited has provided a guarantee for the facility.

Should Woolworths Limited not continue to provide the guarantee and support the company and the company be unable to trade profitably or secure alternative funding, there exists a risk that the company may not be able to continue as a going concern.

The Company has adopted a strategic plan which addresses the fundamental requirement of the business to increase production volume to increase total revenue and achieve consistent profitability. Capital infrastructure allowing the Company to produce in excess of 1.5 million cartons per annum was installed during the last 24 months, and an annualised production volume of over 1.2 million cartons per annum and an operating profit was achieved in the year ended 30 June 2012. This installed production capacity in conjunction with the contract brewing agreement with Woolworths Limited and the anticipated growth of the Company's proprietary brands is expected to contribute significantly toward achieving ongoing profitability.

The Company monitors its forecasts and cash flows continuously to ensure the Company has sufficient working capital and the financial flexibility required to implement its strategic plan. Current cashflow forecasts show the Company has sufficient funds to meet its obligations as and when they become due and payable.

Should the Company not continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(b) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and members of the Board of Management.

**(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. 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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(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 21). 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. 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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(h) Trade receivables (Continued)**

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 receivable is impaired. The amount of the allowance 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 Statement of Financial Position (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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(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. 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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(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.

*(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 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.

**(q) Employee benefits (Continued)**

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

**(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.



**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(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 Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the 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.

**(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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**As at 30 June 2012**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**(x) New accounting standards and interpretations published but not mandatory for 30 June 2012**

AASB 9: Financial Instruments (*Periods beginning on or after 1 January 2013*)

Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. The company does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

AASB 13: Fair Value Measurement (Annual reporting periods commencing on or after 1 January 2013)

Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Due to the recent release of this standard, the company has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

IAS 19 (*Periods beginning on or after 1 January 2013*)

Main changes include:

- Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans.
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods.
- Subtle amendments to timing for recognition of liabilities for termination benefits.
- Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.

The company currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to IAS 19 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**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 reporting date, are as follows:

	2012 \$	2012 \$	2011 \$	2011 \$
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>				
Cash and cash equivalents	1,580,241	1,580,241	2,084,661	2,084,661
Trade and other receivables	1,564,517	1,564,517	680,692	680,692
	3,144,758	3,144,758	2,765,353	2,765,353
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	4,739,218	4,739,218	4,722,993	4,722,993
Borrowings	9,640,203	9,640,203	4,246,174	4,246,174
	14,379,421	14,379,421	8,969,167	8,969,167

**(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 (Credit Rating: AA). 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 2012**

---

**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 \$9.7 million with the ANZ Banking Group which is drawn to \$9.611 million at year-end. The Company has relied on equity raising and prudent management to manage this risk.

<b>2012</b>	<b>&lt; 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	<b>Carrying Value</b>
Trade payables	3,959,680	-	-	3,959,680	3,959,680
Other payables	2,186,468	2,373,254	-	4,559,722	4,559,722
Loans & leases	975,006	9,789,838	-	10,764,843	9,640,203
<b>Total Payable</b>	<b>7,121,154</b>	<b>12,163,092</b>	<b>-</b>	<b>19,284,245</b>	<b>18,159,605</b>

<b>2011</b>	<b>&lt; 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	<b>Carrying Value</b>
Trade payables	3,211,722	-	-	3,211,722	3,211,722
Other payables	1,461,271	50,000	-	1,511,271	1,511,271
Loans & leases	340,174	294,000	4,494,000	5,128,174	4,246,174
<b>Total Payable</b>	<b>5,013,167</b>	<b>344,000</b>	<b>4,494,000</b>	<b>9,851,167</b>	<b>8,969,167</b>

**(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 2012, 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 \$17,960 higher/lower (2011: \$10,370 higher/lower) from interest income on cash and cash equivalents, based upon the average cash on hand balance of \$1,796,098. (2011: \$1,037,073)

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 2012, 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 \$77,243 higher/lower (2011: \$42,000) from interest expense on borrowings, based upon the average loan balance of \$7,724,362 (2011: \$4,200,000).

---

**Note 3 : Revenue**

---

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<i>Revenue</i>		
Sale of goods	<b>30,642,376</b>	25,279,814
Less: Excise tax collected	<b>( 10,946,753)</b>	( 9,504,434)
Interest	<b>8,136</b>	5,445
	<b>19,703,758</b>	15,780,824

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

<b>Note 3 : Revenue (Continued)</b>	2012	2011
	\$	\$
<i>Other revenue</i>		
Sundry sales	104,899	6,011
	104,899	6,011

<b>Note 4 : Expenses</b>	2012	2011
	\$	\$
<b>Profit (loss) before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	403,889	303,335
Office equipment	26,379	35,441
Motor vehicles	9,026	10,846
Amortisation of intangible assets	378	-
Total depreciation	439,672	349,622
<i>Impairment</i>		
Impairment in relation to obsolete equipment	138,122	-
<i>Impairment Charges</i>	138,122	-
<i>Bad Debt Expense</i>		
Bad debts written off	4,135	12,444
Bad Debts Expensed	4,135	12,444
<i>Finance costs</i>		
Interest and finance charges paid/payable	594,786	363,707
Amount capitalised	( 234,164)	-
Finance costs expensed	360,621	363,707
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	267,706	251,928
Total rental expense relating to operating leases	267,706	251,928
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	277,174	189,264
Total defined contribution superannuation expense	277,174	189,264
Share-based payments expense (Note 18 b)		
Non-recourse loan-funded shares	261,803	90,924
Total share-based payments expense	261,803	90,924

<b>Note 5 : Income tax expense / (benefit)</b>	2012	2011
	\$	\$
<b>(a) Income tax expense / (benefit)</b>		
Current tax	-	-
Deferred tax - origination of temporary differences	331,678	91,434
	331,678	91,434

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 5 : Income tax expense / (benefit) (Continued)**

---

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

Profit (loss) before income tax expense	832,408	213,855
Tax at the Australian tax rate of 30% (2011 - 30%)	249,723	64,157
Tax effect of amounts which are not deductible (taxable) in		
Share-based payments	78,541	27,277
Fines and entertaining	3,415	-
Income tax expense / (benefit)	331,678	91,434

**(c) Recognised tax losses**

Unused tax losses for which a deferred tax asset has been recognised	10,969,930	12,075,523
Deferred tax asset @ 30%	3,290,980	3,622,657

**Movement in Deferred tax asset**

Recognition of deferred tax asset - prior year losses	-	-
- current year (profit) loss	( 331,678)	( 91,434)
	( 331,678)	( 91,434)

Deferred tax assets and liabilities have been brought to account in 2012 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 2012 by virtue of these divisions of the Income Tax Assessment Act 1997.

---

**Note 6 : Current assets - Cash and cash equivalents**

---

	2012	2011
	\$	\$
Cash at bank and in hand	1,580,241	2,084,661
	1,580,241	2,084,661

**(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 1%.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 7 : Current assets - Trade and other receivables**

---

	2012	2011
	\$	\$
Trade receivables	1,529,759	623,501
Other receivables	34,757	57,191
	1,564,516	680,692

**(a) Bad and doubtful trade receivables**

Bad and doubtful trade receivables that are known to be uncollectable during the year ended 30 June 2012 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 2012. Bad trade receivables which have been expensed during 2012 to bad debts expense are amounts past due which were uncollectable from debtors 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 2012 trade receivables of \$1,326,948 (2011 - \$238,415) were past due but not impaired. These relate to a number of unrelated customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012	2011
	\$	\$
Up to 3 months	1,245,766	238,415
3 to 6 months	81,182	-
	1,326,948	238,415

**(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**

---

	2012	2011
	\$	\$
Raw material and stores - at cost	712,812	666,903
Work-in-progress - at cost	74,567	111,416
Finished goods - at cost	288,060	110,325
	1,075,439	888,644

**Inventory expense**

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2012 amounted to \$10,288,874 (2011: \$8,074,192). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$42,389.15 (2011: \$15,407).

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

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

	Plant and equipment	Office equipment	Motor vehicles	Total
<b>Year ended 30 June 2011</b>				
Opening net book amount	5,617,893	81,726	64,646	5,764,265
Additions	2,073,080	16,826	-	2,089,906
Depreciation charge	(303,335)	(35,441)	(10,846)	(349,622)
Disposals	-	-	-	-
Closing net book amount	7,387,638	63,111	53,800	7,504,549
<b>At 30 June 2011</b>				
Cost or fair value	8,460,532	176,317	202,387	8,839,236
Accumulated depreciation	(1,072,894)	(113,206)	(148,587)	(1,334,687)
Net book amount	7,387,638	63,111	53,800	7,504,549
<b>Year ended 30 June 2012</b>				
Opening net book amount	7,387,638	63,111	53,800	7,504,549
Additions	7,097,353	15,811	-	7,113,164
Depreciation charge	(403,889)	(26,379)	(9,026)	(439,294)
Impairment Charge on obsolete equipment	(138,122)	-	-	(138,122)
Disposals	-	-	-	-
Closing net book amount	13,942,980	52,543	44,774	14,040,296
<b>At 30 June 2012</b>				
Cost or fair value	15,557,885	192,128	202,387	15,952,400
Accumulated depreciation	(1,614,905)	(139,585)	(157,614)	(1,912,104)
Net book amount	13,942,980	52,543	44,774	14,040,296

**(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.

	2012 \$	2011 \$
Plant and equipment	2,352,651	476,709

**(b) Non-current assets pledged as security.**

Refer to note 13 for information on non-current assets pledged as security by the Company.

**Note 10 : Non-current assets - Intangible assets**

<b>Year ended 30 June 2011</b>	
Opening net book amount	3,769
Additions	-
Closing net book amount	3,769



Gage Roads Brewing Co Ltd  
Notes to the Financial Statements  
30 June 2012

**Note 10 : Non-current assets - Intangible assets (Continued)**

**Year ended 30 June 2012**

Opening net book amount	3,769
Additions	6,450
Amortisation	(378)
Closing net book amount	9,841

**Year ended 30 June 2011**

Opening net book amount	3,769
Closing net book amount	9,841

**Trademarks**

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

**Note 11 : Current liabilities - Trade, other payables & borrowings**

**Trade and other payables**

	2012	2011
	\$	\$
Trade payables	3,310,835	3,020,301
Payables for capital purchases	648,845	191,421
GST payable	83,443	787,323
Other payables (a)	696,095	723,948
	4,739,218	4,722,993

**(a) 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 (2011: \$50,000).

**(b) Risk exposure**

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

**Borrowings**

	2012	2011
	\$	\$
<b>Secured</b>		
Lease liabilities	-	-
Other loans (a)	-	-
Total secured current borrowings	-	-
<b>Unsecured</b>		
Insurance premium funding	28,660	46,174
Total current borrowings	28,660	46,174

**(a) Other loans**

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

Gage Roads Brewing Co Ltd  
Notes to the Financial Statements  
30 June 2012

---

**Note 11 : Current liabilities - Trade and other payables (Continued)**

---

**(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 13.

---

**Note 12 : Non Current liabilities - Provisions**

---

	2012	2011
	\$	\$
Provision for long service leave	107,899	92,800
	107,899	92,800

---

**Note 13 : Non-current liabilities - Borrowings**

---

	2012	2011
	\$	\$
<b>Secured</b>		
Bank loans (a)	9,611,543	4,200,000
Total secured non-current borrowings	9,611,543	4,200,000
Total non-current borrowings	9,611,543	4,200,000

**(a) Bank Loan**

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 2013 unless an extension is granted prior to that date.

**(b) Risk exposure**

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

**(c) 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:

	2012	2011
	\$	\$
<i>Fixed &amp; Floating charges</i>		
Plant and equipment	13,995,523	7,450,749
Motor vehicles	44,773	53,800
Total Fixed & Floating charges	14,040,296	7,504,549
Total assets pledged as security	14,040,296	7,504,549

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

**Note 14 : Contributed equity**

	2012 Shares	2011 Shares	2012 \$	2011 \$
<b>(a) Share Capital</b>				
Ordinary shares				
Fully paid	341,159,545	305,043,545	17,262,904	16,674,448
<b>(b) Movement in contributed equity:</b>				
<b>1 July (opening balance)</b>	<b>305,043,545</b>	<b>303,918,559</b>	<b>16,674,448</b>	<b>16,586,699</b>
<i>Issues of shares during the year</i>				
ORD shares issued to employees	27,200,000	1,124,986	-	87,749
Limited at an issue price of 6.6¢ per share	8,916,000	-	588,456	-
Capital raising costs	-	-	-	-
<b>30 June (closing balance)</b>	<b>341,159,545</b>	<b>305,043,545</b>	<b>17,262,904</b>	<b>16,674,448</b>

At 30 June 2012 there were 341,159,545 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 is 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 15 : Reserves and accumulated losses**

	2012 \$	2011 \$
<b>(a) Share options reserve</b>		
Movements in share options reserve were as follows:		
Balance 1 July	349,028	345,853
Options expensed	261,803	3,175
Balance 30 June	610,831	349,028
The share options reserve is used to recognise the fair value of options issued but not exercised.		
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance 1 July	(11,300,471)	(11,422,892)
Net profit (loss) for the year	500,730	122,421
Balance 30 June	(10,799,741)	(11,300,471)

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

**Note 16 : Reconciliation of profit after income tax to net cash outflow from operating activities**

	2012	2011
	\$	\$
Profit for the year	500,730	122,421
Depreciation, amortisation & impairment	577,794	349,622
Share option expense	-	3,175
Employee share issue expense	261,803	87,749
(Increase) decrease in Future Tax Benefit	331,678	91,434
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	(906,258)	220,281
(Increase) decrease in other debtors	22,433	21,308
(Increase) decrease in inventories	(186,795)	(91,224)
Increase (decrease) in trade creditors	290,534	1,628,158
Increase (decrease) in other operating liabilities	(731,733)	1,033,429
Increase (decrease) in other provisions	15,099	35,300
Net cash outflow from operating activities	<u>175,287</u>	<u>3,501,653</u>

**Note 17 : Earnings Per Share**

	2012	2011
Basic earnings per share ("EPS") (cents)	0.15	0.04
Diluted earnings per share (cents)	0.15	0.04
<b>(a) Basic earnings per share</b>	<b>\$</b>	<b>\$</b>
Profit (loss) used in calculating basic EPS	500,730	122,421
Weighted average number of ordinary shares used in calculating basic EPS	333,316,427	304,328,500

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 there are no currently issued options at 30 June 2012.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

**Note 18 : Share-based payments**

**(a) Executive and Employee Share Plan**

Shares issued pursuant to this Plan (Incentive Shares) are for services rendered by eligible employees and Directors to date and, going forward, for services rendered by existing and any new eligible employees and Directors who are appointed in the future. The Company feels that incentive shares are effective consideration to eligible employees and Directors for their ongoing commitment and contribution to the Company. Where the Company offers to issue Incentive Shares to a Director, the Company may offer to provide the Director a limited recourse, interest free loan to be used for the purposes of subscribing for the Incentive Shares in the Company.

**Executive and Employee Share Plan shares**

30-Jun-12	Date shares granted	Loan Expiry date	Issue price	Balance at start of the year	Granted during the year	Forfeited during the year	Balance at end of the year	Vested at end of the year
John Hoedemaker	07-Oct-11	06-Oct-18	\$0.062	-	10,000,000	-	10,000,000	-
Bill Hoedemaker	07-Oct-11	06-Oct-18	\$0.062	-	6,000,000	-	6,000,000	-
Aaron Heary	07-Oct-11	06-Oct-18	\$0.062	-	8,000,000	-	8,000,000	-
Angela Lovell	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Peter Pudney	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Andrew Duke	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Donald Pleasance	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Dineshkumar Patel	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Marcel Brandenburg	22-Nov-11	21-Nov-18	\$0.062	-	300,000	-	300,000	-
Matthew Morisey	22-Nov-11	21-Nov-18	\$0.062	-	500,000	-	500,000	-
Paul Gasmier	08-Feb-12	08-Feb-19	\$0.067	-	500,000	-	500,000	-
Total				-	27,200,000	-	27,200,000	-

**(i) Employee and Executive Share Plan shares issued to key management personnel**

On 7 October 2011, 24,000,000 shares were issued to three key management personnel of the Company at an issue price of 6.2 cents per share and corresponding non-recourse loans totalling \$1,488,000 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key Loan Terms:

- Loan amount: \$0.062 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 6 October 2018)
- Vesting condition for 50%: remains eligible employee for 12 months
- Vesting condition for balance: remains eligible employee for 24 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 29 September 2011

The loans are non-recourse except against the Shares held by the participant to which the Loan relates.

The Board may, in its absolute discretion, agree to forgive a Loan made to a participant.

The fair value at grant date of \$610,613 was calculated using the Black Scholes pricing model that took into account the term, 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 \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 18 : Share-based payments (Continued)**

---

- risk-free interest rate used is 3.95%
- time to maturity, 5 years; and
- a dividend yield of 1%

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.

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy.

The value of the instruments 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 instrument which was expensed to remuneration and accounted for in the share option reserve was \$256,834 for the year ended 30 June 2012.

***(ii) Employee and Executive Share Plan shares issued to employees***  
***22 November 2011***

On 22 November 2011, 2,700,000 shares were issued to eligible employees of the Company at an issue price of 6.2 cents per share and corresponding non-recourse loans totalling \$167,400 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key Loan Terms:

- Loan amount: \$0.062 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 21 November 2018)
- Vesting condition: remains eligible employee for 36 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 29 September 2011

The loans are non-recourse except against the Shares held by the participant to which the Loan relates. The Board may, in its absolute discretion, agree to forgive a Loan made to a participant.

The fair value at grant date of \$72,614 was calculated using the Black Scholes pricing model that took into account the term, 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 \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.57%
- time to maturity, 5 years; and
- a dividend yield of 1%

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 2012.

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 18 : Share-based payments (Continued)**

---

The value of the instruments 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 instrument which was expensed to remuneration and accounted for in the share option reserve was \$4,397 for the year ended 30 June 2012.

***(iii) Employee and Executive Share Plan shares issued to employees***  
***8 February 2012***

On 8 February 2012, 500,000 shares were issued to an eligible employee of the Company at an issue price of 6.7 cents per share and corresponding non-recourse loans totalling \$167,400 were entered into in accordance with the Company's Employee and Executive Share Plan as part of their remuneration and having regard for their past and potential contribution to the Company.

Summary of key Loan Terms:

- Loan amount: \$0.067 per share
- Interest rate: 0%
- Term of loan: 7 years (expiring 8 February 2019)
- Vesting condition: remains eligible employee for 36 months
- Subject to the terms and conditions of the Employee and Executive Share Plan as approved by shareholders on 29 September 2011

The loans are non-recourse except against the Shares held by the participant to which the Loan relates.

The Board may, in its absolute discretion, agree to forgive a Loan made to a participant.

The fair value at grant date of \$14,621 was calculated using the Black Scholes pricing model that took into account the term, 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 \$0.067
- market price of shares at grant date, \$0.067
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.57%
- time to maturity, 5 years; and
- a dividend yield of 1%

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 2012.

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy.

The value of the instruments 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 instrument which was expensed to remuneration and accounted for in the share option reserve was \$573 for the year ended 30 June 2012.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

<b>Note 18 : Share-based payments (Continued)</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Expenses arising from Share-based payments</b>		
Incentive Share Scheme (a)	261,803	-
Options issued to Employees	-	3,175
Shares issued to employees	-	87,749
	<b>261,803</b>	<b>90,924</b>

<b>Note 19 : Related party transactions</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Key Management Personnel compensation</b>		
Short-term employment benefits		
- Executives & Executive Directors	700,645	597,196
- Non-Executive Directors	129,575	103,156
Termination Benefit	140,000	-
Post-employment benefits	55,171	48,600
Share-based payments	256,834	3,175
	<b>1,282,225</b>	<b>752,127</b>

**(b) Loans to key management personnel**

Details of loans made to directors of the Company and other Key Management Personnel, including their personally related parties are set out below.

Key Management Personnel with loans during the financial year:

<b>30-Jun-12</b>	<b>Balance at the start of the year</b>	<b>Loans provided during the year</b>	<b>Interest paid and payable for the year</b>	<b>Interest not charged</b>	<b>Balance at the end of the year</b>
John Hoedemaker	\$ -	\$ 620,000	\$ -	\$ 27,212	\$ 620,000
Bill Hoedemaker	\$ -	\$ 372,000	\$ -	\$ 16,327	\$ 372,000
Aaron Heary	\$ -	\$ 496,000	\$ -	\$ 21,770	\$ 496,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,488,000</b>	<b>\$ -</b>	<b>\$ 65,309</b>	<b>\$ 1,488,000</b>

All loans to key management personnel are under the terms and conditions as set out in Note 18 relating to the incentive share plan.

The amounts shown for interest not charged in the tables above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arms length basis.

**(c) 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 18.

*(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:



Gage Roads Brewing Co Ltd  
Notes to the Financial Statements  
30 June 2012

**Note 19 : Related party transactions (Continued)**

	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
<b>2012</b>				
<i>Directors</i>				
Ian Olson	-	-	-	-
Steven Greentree	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker	-	-	-	-
John Hoedemaker	-	-	-	-
<i>Executive Key Management</i>				
Aaron Heary	-	-	-	-
	-	-	-	-
	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
<b>2011</b>				
<i>Directors</i>				
Ian Olson	-	-	-	-
Steven Greentree	-	-	-	-
Robert Gould	-	-	-	-
Bill Hoedemaker	-	-	-	-
John Hoedemaker	-	-	-	-
<i>Executive Key Management</i>				
Nick Hayler	2,500,000	(2,500,000)	-	-
	2,500,000	(2,500,000)	-	-

*(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 (Disposal) of shares	Employee Share Plan Shares Received	Balance at end of the year
<b>2012</b>					
<i>Directors</i>					
Ian Olson	100%	2,470,587	-	-	2,470,587
Robert Gould	0%	1,000,000	-	-	1,000,000
Steven Greentree	0%	-	-	-	-
Bill Hoedemaker*	100%	404,669	-	6,000,000	6,404,669
John Hoedemaker*	4%	404,669	-	10,000,000	10,404,669
<i>Executive Key Management</i>					
Nick Hayler	100%	30,000	-	-	30,000
Aaron Heary	100%	3,143,979	-	8,000,000	11,143,979
		7,453,904	-	24,000,000	31,453,904

\* 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 aff The Leijenaar Trust and the Ottor Trust holds 10,171,966 ordinary shares as at 30 June 2012 (FY11: 10,218,730). 46,764 shares were disposed of during the year (FY11: 309,773).

+ Percentage of 2012 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2012.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

**Note 19 : Related party transactions (Continued)**

	Nomin- ally Held+	Balance at start of the year	Net Purchase (Disposal) of shares	Employee Share Plan Shares Received	Balance at end of the year
<b>2011</b>					
<i>Directors</i>					
Ian Olson	100%	2,470,587	-	-	2,470,587
Robert Gould	0%	18,280,986	(17,280,986)	-	1,000,000
Steven Greentree	0%	-	-	-	-
Bill Hoedemaker*	98%	404,669	-	-	404,669
John Hoedemaker*	98%	404,669	-	-	404,669
<i>Executive Key Management</i>					
Nick Hayler	6%	492,517	(462,517)	-	30,000
		22,053,428	(17,743,503)	-	4,309,925

\* 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 aff The Leijenaar Trust and the Ottor Trust holds 10,218,730 ordinary shares as at 30 June 2011 (FY10: 10,528,503). 309,773 shares were disposed of during the year (FY10: Nil).

^ The disposal of Nick Hayler's shares as indicated in the table are shares which were held by his spouse whom is no longer a related party following their divorce during the year.

+ Percentage of 2011 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2011.

**Note 20 : Remuneration of auditors**

Company, its related practices and non-related audit firms:

	2012 \$	2011 \$
<b>(a) Assurance services</b>		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	52,062	32,577
Total remuneration for assurance services	52,062	32,577
<b>(b) Non-audit services</b>		
BDO Audit (WA) Pty Ltd		
Services in relation to the underwriting agreements	-	-
BDO Corporate & International Tax Pty Ltd		
Services in relation to taxation advice	801	6,455
Total remuneration for non-assurance services	801	6,455

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 21 : Commitments**

---

	2012	2011
	\$	\$
<b>(a) Lease commitments - Company as lessee</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	261,829	257,394
Later than one year but not later than five years	207,494	476,966
Later than five years	-	-
	<b>469,323</b>	<b>734,360</b>
Representing:		
Operating leases as per (i) below	469,323	734,360
Future finance charges on finance leases below	-	-
	<b>469,323</b>	<b>734,360</b>

*(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	261,829	257,394
Later than one year but not later than five years	207,494	476,966
Later than five years	-	-
	<b>469,323</b>	<b>734,360</b>

**(b) Capital Commitments**

The capital expansion program has commenced and the Company has current commitments to specific items of capital expenditure totaling \$3,131,340 (2011: \$1,459,569).

---

**Note 22 : Events occurring after the reporting date**

---

On 26 July 2012 Steven Greentree resigned from his position as Non-Executive Director following his appointment to Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division. Steven was replaced on the Board of Gage Roads by Mr Brad Banducci effective 26 July 2012, who has recently accepted the role of Director - Woolworths Liquor Group.

No other matter or circumstance has arisen since 30 June 2012, 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.

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**30 June 2012**

---

**Note 23 : 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 are 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.

	2012	2011
	\$	\$
Revenue from external sources	19,695,622	15,775,380
Net profit before tax	832,408	213,855
Reportable segment assets	21,561,314	14,784,972
Reportable segment liabilities	14,487,320	9,061,967

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 24 : Contingencies**

---

The Company had no contingent assets or liabilities as at 30 June 2012 or 2011.

---

**Note 25 : 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. LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Gage Roads Brewing Co. Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 opinion.

### 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*, which has been given to the directors of Gage Roads Brewing Co. Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion:

- (a) the financial report of Gage Roads Brewing Co. Limited 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 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) 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 2012. 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.

## Opinion

In our opinion, the Remuneration Report of Gage Roads Brewing Co. Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Peter Toll  
Director

Perth, Western Australia  
Dated this 24<sup>th</sup> day of August 2012

**Gage Roads Brewing Co Ltd**  
**Additional ASX Information**  
**As at 23 August 2012**

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 2012.

**Substantial Shareholders (holding more than 5%)**

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Ltd	85,326,890	25.01%
Shimin Song	51,881,412	15.21%
Top Nominees Pty Ltd	42,835,877	12.56%

**Top 20 Shareholders**

**(a) Fully Paid Ordinary Shares**

<b>Shareholder</b>	<b>Fully Paid Ordinary Shares</b>	
	<b>Ordinary Shares</b>	<b>Percentage</b>
Woolworths Limited	85,326,890	25.01%
Mr Shimin Song	51,881,412	15.21%
Top Nominees Pty Ltd	42,835,877	12.56%
Mr Aaron Heary	11,143,979	3.27%
Mr Pieter Hoedemaker	10,171,966	2.98%
J and L Hoedemaker	10,000,000	2.93%
Mr Jamie Boyton	8,157,399	2.39%
Giromol Pty Ltd	8,000,000	2.34%
J P Morgan Nominees	6,500,000	1.91%
Mr Willem Hoedemaker	6,394,669	1.87%
Mr Daniel Broeren	4,232,212	1.24%
Annapurna Pty Ltd	3,000,000	0.88%
Mr Ian Olson	2,470,587	0.72%
Vernon Charles & Joycelyn Edith Wheatley	2,310,000	0.68%
Lee Smash Repair Pty Ltd	2,000,000	0.59%
Mrs Margaret Edgar and Mr John Edgar	1,655,000	0.49%
Mr Jim Chantry	1,500,000	0.44%
Nordana Pty Ltd	1,250,000	0.37%
Constable Investments Group Limited	1,225,759	0.36%
RSF Services Pty Ltd	1,200,000	0.35%

**(b) Unlisted Options over Fully Paid Ordinary Shares**

There are NIL options over ordinary shares	-	0.00%
--	---	-------

**Gage Roads Brewing Co Ltd**  
**Additional ASX Information**  
**As at 23 August 2012**

**Additional ASX Information (continued)**

**Distribution of Holders of Ordinary Fully Paid Shares**

Range	Total Holders	Units	Percentage
1-1,000	27	5,563	0.00%
1,001-5,000	93	390,030	0.11%
5,001-10,000	195	1,644,705	0.48%
10,001-100,000	537	20,774,286	6.09%
100,001-9,999,999	199	318,344,961	93.31%
<b>Total</b>	<b>1,051</b>	<b>341,159,545</b>	<b>100.00%</b>

As at 23 August 2012 there were 212 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 2012 there are nil ordinary shares and options held in escrow.