

Appendix 4D Half-Year Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2012

Results for announcement to the market

Revenue from ordinary activities	up	36%	to	10,973,813
Profit from ordinary activities after tax attributable to members	up	736%	to	513,708
Net profit attributable to members	up	736%	to	513,708

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	31 December	31 December
	2012	2011
	\$	\$
	0.01	0.01

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 and joint venture entities during the period.

Reporting Periods

The current reporting period is the half-year ended 31 December 2012. The previous corresponding period is the half-year ended 31 December 2011.

Commentary on the results for the half-year ended 31 December 2012

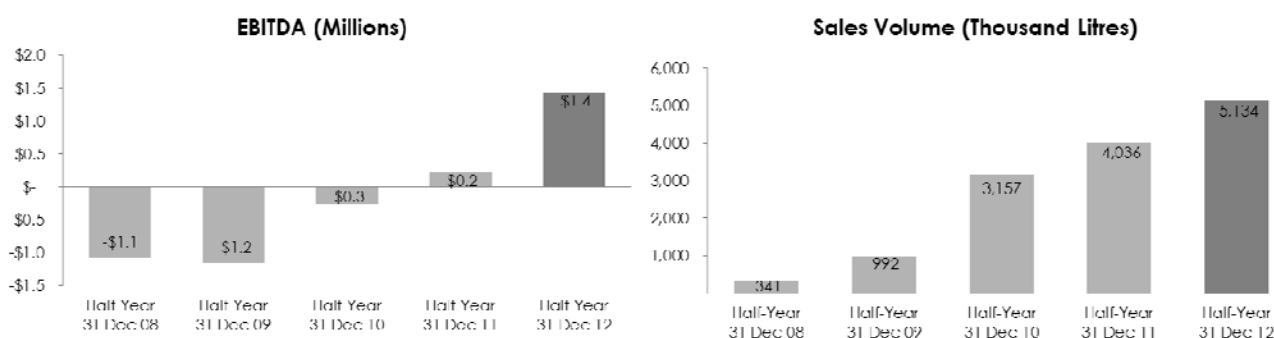
Highlights for H1 FY13

- Revenue increased 36% to \$11 million
- NPAT increased 736% to \$0.5m
- Total volume increased by 27%
- New contract brewing customers secured
- New products launched to market
- Brewhouse implementation complete

During the first half of FY13 the Company has achieved solid growth in sales, production volumes and earnings, further diversified its customer base and passed some important milestones in its capital expansion project.

Carton and keg sales for the half-year exceeded 5.1 million litres representing an increase of 27% over the corresponding period in FY12 (4.0 million litres). Revenue increased by 36% over the same period to just under \$11m. This growth in revenue per litre is a result of a changing sales mix, including a higher proportion of cider, craft beer and higher alcohol beer during the half-year in comparison to the prior year comparative period.

The Company's EBITDA of \$1.4m and NPAT of \$0.5m was the result of two strong consecutive quarters and was achieved despite a number of shutdowns associated with the implementation of the capital expansion project.



The growth in sales is partially attributable to the Company's continued support of Woolworths' exclusive brands strategy. During the first quarter Gage Roads released the Sail and Anchor 345mL craft range including *Lark's Foot Golden Ale*, *Monkey's Fist Pale Ale*, *Cat's Shank Kölsch* and *Boa's Bind Amber Ale*.

Contract brewed products for other customers including Matso's Broome Brewery have increased 72% in volume over the previous corresponding period and represent an important component of the Company's growth strategy.

During the half-year Gage Roads was pleased to welcome a number of new customers, including McLaren Vale Beer Company, Duckstein Brewing Margaret River and the Australian Marketing Division of San Miguel Yamamura. The addition of these customers is testament to Gage Roads' focus on delivering high quality craft beer. Production for these customers will commence in March 2013.

Gage Roads' proprietary brands have also performed strongly, increasing 44% over the same period last year. This growth was primarily driven by Atomic Pale Ale, Gage Pils 3.5% and Sleeping Giant IPA, which was awarded the trophy for best bottled ale at the 2012 Perth Royal Beer Awards. The growth in Gage Roads' proprietary volumes was also supported during the half-year by the launch of two limited release products in the 640mL bottle format, *Pumpkin Ale* and *The Convict*. Production of these limited release, high quality craft products showcases Gage Roads' passion for producing authentic craft beers and its participation in the expanding craft beer market segment.

This half-year saw the completion of a significant portion of the capital expansion program with the remaining items expecting to be completed by the end of March 2013. Elements of the program already completed and commissioned include an upgrade of the bottling line to 300bpm, upgrades to utilities including a new boiler, refrigeration plant and water infrastructure, the addition of six 100hL fermentation tanks, three bright beer tanks and the automated CombiCube B brewhouse. The 100hL brewhouse was manufactured and installed by leading international brewery engineering company Kronos of Germany and along with the other completed elements has been successfully commissioned and is currently in full operation.

The capital expansion team is also working on the installation of a new filtration system, reverse osmosis plant, yeast management system, CIP (Clean-in-Place) system and the automation of our new

fermentation tank farm. The Company expects these items to be commissioned by the end of March 2013.

As previously disclosed, the capital expansion program's cost to complete was initially estimated at \$12.4m, which was to be financed via a \$9.6m ANZ debt facility with the remainder being funded through operating cash surpluses. The debt facility is now fully drawn and the Company has been able to self-fund the balance of the program since April 2012.

As the program approaches completion, implementation cost escalations as well as the addition of previously unbudgeted items indicate a projected total cost to complete of circa \$16.8m. This \$4.4m overrun principally relates to escalations in contractor costs (both rates and time) as well as ancillary projects that arose during installation and commissioning, which occurred while the existing facility was also operating at full capacity. This additional expenditure is expected to be fully covered by operating cash surpluses as the expansion program concludes in coming months.

Gage Roads has worked closely with suppliers and customers to align operating cash inflows with investing cash outflows relating to the expansion program. As part of this process, the Company negotiated favourable terms with suppliers and customers and has been able to produce at higher volumes during the half-year in order to fund capital payments.

The capital expansion project was designed to deliver two outcomes, an increase of overall production capacity to 3 million cartons per annum and a reduction in variable operating costs per carton of circa 50%. As the expansion program does not conclude until the latter months of FY13 the Company is expecting to realise the full benefits in FY14 and FY15.

GRB 4-Year Growth Plan (FY12,13,14,15)	
Production	Triple production capacity to 3 million cartons by FY15
Costs	Reduce operating costs per case by 50% by FY15
Sales	<ul style="list-style-type: none"> • Continue partnering the growth of Woolworths' exclusive brands strategy. • Become Australia's # 1 contract craft brewery. • Increase draught sales.
Productivity	Building a Better Place to Work: implementing 5S, improving work environments and amenities, focusing on core values and cultural change to improve behaviours and improve productivity.

In the upcoming months the Company will continue to deliver on its 4 year plan commitments. This will include the delivery of our expanded brewing capacity, growing our strategic partnership with Woolworths, growing other contract brewing and draught opportunities and maintaining our focus on reducing operating costs whilst improving productivity.

Please refer to the attached Financial Report for the half-year ended 31 December 2011 for further information.

John Hoedemaker
Managing Director

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 auditor's review report is attached.
6. The entity has a formally constituted audit committee.

Signed:



Company Secretary

Date: 28 February 2013

Name:

John Hoedemaker



**GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

ABN 22 103 014 320

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2012, and any public announcements made by Gage Roads Brewing Co Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Gage Roads Brewing Co Ltd
Financial Report
For the Half-Year Ended 31 December 2012

Corporate Directory

Directors

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

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

Postal Address

PO Box 2024
PALMYRA DC WA 6961

Auditor

BDO Audit (WA) Pty Ltd
38 Station 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 Ltd
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 Half-Year Ended 31 December 2012

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2012

Review of Operations

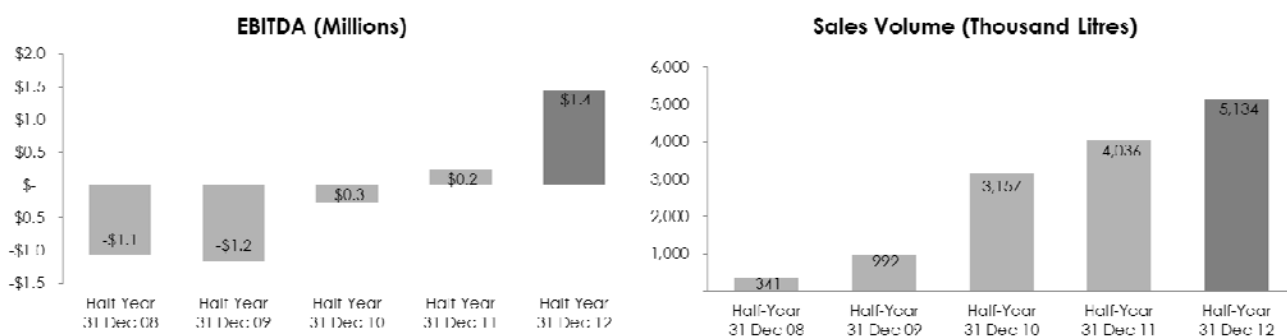
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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2012

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John Hoedemaker
Managing Director

Gage Roads Brewing Co Ltd
Directors' Report
For the Half-Year Ended 31 December 2012

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2012.

Directors

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

Bill Hoedemaker
Brad Banducci (Appointed 26 July 2012)
Ian Olson (Chairman)
John Hoedemaker
Robert Gould
Steven Greentree (Resigned 26 July 2012)

Managing Director

John Hoedemaker

Principal Activities

During the half-year the principal continuing activities of the Company were the brewing, packaging, marketing and selling of beverages.

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

Dividends

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

Review and results of operations

The profit (loss) of the Company for the half-year ended 31 December 2012 after providing for income tax amounted to \$513,708 (2011: (\$80,782)).

A review of the Company's operations and its financial position, business strategies and prospects is located at page 4 of this report.

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 7.

This report is made in accordance with a resolution of Directors.



Ian Olson
Chairman

Palmyra
28 February 2013

28 February 2013

The Directors
Gage Roads Brewing Co. Limited
14 Absolon Street
PALMYRA WA 6961

Dear Sirs,

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

As lead auditor for the review of Gage Roads Brewing Co Limited for the half-year ended 31 December 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

**Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2012**

The Directors of the Company declare that:

- (a) The financial statements and notes set out on pages 11 to 19 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-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.

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



Chairman

Palmyra
28 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GAGE ROADS BREWING CO. LIMITED.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gage Roads Brewing Co. Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gage Roads Brewing Co. Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gage Roads Brewing Co. Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO


Peter Toll
Director

Perth, Western Australian
Dated this 28th day of February 2013

Gage Roads Brewing Co Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Revenue from continuing operations			
Sales revenue		10,972,007	8,063,602
Interest revenue		1,806	5,474
	2	<u>10,973,813</u>	<u>8,069,076</u>
Other income	2	9,468	26,664
Raw materials, consumables & delivery		(5,149,167)	(4,089,123)
Operating expenses		(1,657,928)	(1,257,642)
Employee expense		(2,163,088)	(1,969,879)
Depreciation and amortisation expense		(346,001)	(185,230)
Impairment charges		(148,101)	-
Sales and marketing		(64,246)	(145,130)
Administration costs		(206,836)	(243,230)
Occupancy costs		(153,469)	(150,639)
Finance costs		(276,958)	(142,196)
Profit (Loss) before income tax	3	<u>817,487</u>	<u>(87,329)</u>
Income tax expense/benefit	5	(303,779)	6,547
Net Profit (Loss) for the half-year		<u>513,708</u>	<u>(80,782)</u>
Total comprehensive income for the half-year		<u>513,708</u>	<u>(80,782)</u>
Profit (Loss) and Other Comprehensive Income attributable to members of Gage Roads Brewing Co Ltd		<u>513,708</u>	<u>(80,782)</u>
Profit (Loss) per share attributable to the ordinary equity holders of the company:			
Basic and diluted profit (loss) per share (cents)		0.15	(0.03)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Gage Roads Brewing Co Ltd
Statement of Financial Position
As at 31 December 2012

	Notes	31 December 2012 \$	30 June 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,979,836	1,580,241
Trade and other receivables		1,895,250	1,564,516
Inventories		1,500,595	1,075,439
Total current assets		<u>6,375,681</u>	<u>4,220,196</u>
Non-current assets			
Property, plant and equipment	4	19,131,035	14,040,296
Intangible assets		26,183	9,841
Deferred tax asset	5	2,987,201	3,290,980
Total non-current assets		<u>22,144,419</u>	<u>17,341,118</u>
Total assets		<u>28,520,100</u>	<u>21,561,314</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	10,984,821	4,739,218
Borrowings	7	33,207	28,660
Total current liabilities		<u>11,018,028</u>	<u>4,767,878</u>
Non-current liabilities			
Provisions		114,800	107,899
Borrowings	7	9,611,544	9,611,543
Total non-current liabilities		<u>9,726,344</u>	<u>9,719,442</u>
Total liabilities		<u>20,744,372</u>	<u>14,487,320</u>
Net assets		<u>7,775,728</u>	<u>7,073,994</u>
EQUITY			
Contributed equity	8	17,262,904	17,262,904
Share options reserve		798,858	610,831
Accumulated losses		(10,286,034)	(10,799,741)
Total equity		<u>7,775,728</u>	<u>7,073,994</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 Half-Year ended 31 December 2012

	Contributed equity \$	Accumulated Losses \$	Share Option reserve \$	Total equity \$
At 1 July 2011	16,674,448	(11,300,471)	349,028	5,723,005
Total comprehensive income for the half-year	-	(80,782)	-	(80,782)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital, net of transaction costs	588,456	-	-	588,456
Employee and other share options expensed	-	-	53,841	53,841
At 31 December 2011	17,262,904	(11,381,253)	402,869	6,284,520
Total comprehensive income for the half-year	-	581,512	-	581,512
Transactions with equity holders in their capacity as equity holders:				
Employee share plan shares expensed	-	-	207,962	207,962
At 30 June 2012	17,262,904	(10,799,741)	610,831	7,073,994
Total comprehensive income for the half-year	-	513,708	-	513,708
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	-	-	-	-
Employee and other share options expensed	-	-	188,027	188,027
At 31 December 2012	17,262,904	(10,286,034)	798,858	7,775,728

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 Half-Year ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST, WET and Excise Tax)	18,631,624	14,159,999
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	<u>(13,996,532)</u>	<u>(13,621,631)</u>
	4,635,092	538,368
Interest received	1,806	5,474
Interest paid	<u>(276,958)</u>	<u>(142,195)</u>
Net cash inflow (outflow) from operating activities	<u>4,359,940</u>	<u>401,647</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(2,964,892)</u>	<u>(3,494,604)</u>
Net cash inflow (outflow) from investing activities	<u>(2,964,892)</u>	<u>(3,494,604)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	588,456
Proceeds from borrowings	66,415	4,055,759
Repayment of borrowings	<u>(61,868)</u>	<u>(662,510)</u>
Net cash inflow (outflow) from financing activities	<u>4,547</u>	<u>3,981,705</u>
Net increase/(decrease) in cash and cash equivalents	1,399,595	888,748
Cash and cash equivalents at the beginning of the financial half-year	<u>1,580,241</u>	<u>2,084,661</u>
Cash and cash equivalents at the end of the financial half-year	<u>2,979,836</u>	<u>2,973,409</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
For the Half-Year ended 31 December 2012

Note 1 : Summary of significant accounting policies

(a) Basis of preparation of half-year financial statements

The general purpose financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used as the basis of preparation.

This half-year financial report does not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Gage Roads Brewing Co Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this half-year financial report as compared with the most recent annual financial report, unless otherwise stated.

New accounting standards and interpretations

In the half-year ended 31 December 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

(b) Going concern

At 31 December 2012, the Company had a working capital deficiency of \$4,642,347. Gage Roads has worked closely with its suppliers and customers to align the operating cashflows with the investing cashflows relating to the expansion program. As part of this process, the Company negotiated favourable terms with suppliers and customers. Included in the current liability balance is a \$2.15m final payment (due in September 2013) to a key capital equipment supplier which had become current during the half-year ended 31 December 2012.

The Company's cashflow forecasts support the going concern assumption through the ordinary course of business. These forecasts are supported by Woolworths' 1 million carton per annum contractual commitment, its own proprietary beer sales and other contract brewing contracts.

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Notes to the Financial Statements
For the Half-Year ended 31 December 2012

Note 2 : Revenue & Other Income

	31 December 2012 \$	31 December 2011 \$
<i>Revenue</i>		
Sale of goods	17,214,016	13,424,450
Less: Excise tax & WET collected	(6,242,009)	(5,360,848)
Total sale of goods	<u>10,972,007</u>	<u>8,063,602</u>
Interest	1,806	5,474
	<u>10,973,813</u>	<u>8,069,076</u>
<i>Other income</i>		
Other	9,468	26,664
	<u>10,983,281</u>	<u>8,095,740</u>

Note 3 : Expenses

Profit (Loss) before income tax includes the following specific expenses that are unusual because of their nature, size or incidence:

Employee share-based payment expense	188,027	53,841
Impairment in relation to obsolete equipment	148,101	-
	<u>336,128</u>	<u>53,841</u>

Note 4 : Property, plant & equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 30 June 2012				
Cost or fair value	15,557,885	192,128	202,387	15,952,400
Accumulated depreciation	(1,614,905)	(139,585)	(157,613)	(1,912,103)
Net book amount	<u>13,942,980</u>	<u>52,543</u>	<u>44,774</u>	<u>14,040,297</u>

**Half-year ended 31
December 2012**

Opening net book amount	13,942,980	52,543	44,774	14,040,297
Additions	5,568,769	12,103	-	5,580,871
Depreciation charge	(326,370)	(11,721)	(3,941)	(342,032)
Impairment Charge	(148,101)	-	-	(148,101)
Closing net book amount	<u>19,037,278</u>	<u>52,925</u>	<u>40,833</u>	<u>19,131,035</u>

At 31 December 2012

Cost or fair value	21,126,654	204,231	202,387	21,533,271
Accumulated depreciation	(1,941,275)	(151,306)	(161,554)	(2,254,135)
Impairment Charge	(148,101)	-	-	(148,101)
Net book amount	<u>19,037,278</u>	<u>52,925</u>	<u>40,833</u>	<u>19,131,035</u>

(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

	31 December 2012	30 June 2012
Plant and equipment	2,013,236	2,352,651

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Note 5 : Income tax benefit / Deferred Tax Asset

	31 December 2012 \$	30 June 2012 \$
(a) Deferred tax asset		
Recognition of deferred tax asset	<u>2,987,201</u>	<u>3,290,980</u>
(b) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	<u>9,957,337</u>	<u>10,969,933</u>
Deferred tax asset @ 30%	<u>2,987,201</u>	<u>3,290,980</u>

Deferred tax assets and liabilities have been brought to account as at 31 December 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 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 31 December 2012 by virtue of these divisions of the Income Tax Assessment Act 1997.

(c) Significant Estimates & Judgements

As disclosed to the ASX in May 2009, in conjunction with Woolworths Limited acquiring a 25% interest in Gage Roads Brewing, the Company also entered into a contractual Supply Agreement with Woolworths Limited to contract brew products for a three year Initial Term and two year Extended Term. Subsequently Deferred Tax Assets were recognised on Gage Roads' financial statements at 31 December 2009.

These Deferred Tax Assets are recognised as being recoverable based on internal sales budgets and profit projections for the period of the supply agreements extended term. Additional Deferred Tax Assets have been recognised in respect of losses incurred subsequent to the Woolworths Limited investment. These losses are recognised as assets on the basis that the Supply Agreement will be renewed and extended beyond the terms of the current Supply Agreement. Should this Agreement not be continued beyond its Extended Term, these balances may not be recoverable at the amounts recognised in the Statement of Financial Position.

Note 6 : Trade and other payables

	31 December 2012 \$	30 June 2012 \$
Trade and other payables from operations	7,815,147	4,090,373
Payables for capital equipment	<u>3,169,674</u>	<u>648,845</u>
	<u>10,984,821</u>	<u>4,739,218</u>

Payables for capital equipment includes a final payment of \$2,147,542 (due in September 2013) to a key capital equipment supplier which had become current during the half-year ended 31 December 2012.

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Note 7 : Borrowings

The Company has a committed credit facility of \$9.7 million with the ANZ Banking Group which is drawn to \$9.61m million at the period end.

The loan is a fixed rate, Australian Dollar denominated loan.

Contractual maturities of financial liabilities

At 31 December 2012	< 1 year	1 - 2 years	2 - 5 years	Total contractual	
				cash flows	Carrying Value
Trade payables	7,797,694	-	-	7,797,694	7,797,694
Other payables	3,187,127	-	-	3,187,127	3,187,127
Loans & leases	271,025	495,956	9,735,533	10,502,514	9,644,751
Total Payable	11,255,846	495,956	9,735,533	21,487,335	20,629,572

Contractual maturities of financial liabilities

At 30 June 2012	< 1 year	1 - 2 years	2 - 5 years	Total contractual	
				cash flows	Carrying Value
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	-	10,764,844	9,640,203
Total Payable	7,121,154	12,163,092	-	19,284,246	18,159,605

There have been no changes to the terms, conditions and security over the loans from the disclosures in the 30 June 2012 annual report.

Note 8 : Contributed equity

	31 December 2012 Shares	31 December 2011 Shares	31 December 2012 \$	31 December 2011 \$
(a) Share Capital				
Ordinary shares				
Fully paid	341,159,545	340,659,545	17,262,904	17,262,904
	2012 Shares	2011 Shares	2012 \$	2011 \$
(b) Movement in contributed equity:				
1 July (opening balance)	341,159,545	305,043,545	17,262,904	16,674,448
New shares issued	-	35,616,000	-	588,456
31 December (closing balance)	341,159,545	340,659,545	17,262,904	17,262,904

At 31 December 2012 there were 341,159,545 ordinary shares on issue.

Note 9 : Contingencies

(a) Contingent liabilities and assets

There are no material contingent liabilities or contingent assets of the Company at 31 December 2012.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2012

Note 10 : Events occurring after reporting date

No matter or circumstance has arisen since 31 December 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.

Note 11 : Segment Reporting

Management has determined that the company has two operating 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 operating 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.

There are no discrete corporate activities to the segments that would require reconciliation between segment expenses and total expenses.

	31 December 2012	31 December 2011
	\$	\$
Revenue from external sources	10,972,007	8,063,602
Net profit (loss) before tax	817,487	(87,329)
Reportable segment assets	28,520,100	20,644,856

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.