

Appendix 4D Half-Year Report

Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2013

Results for announcement to the market

Revenue from ordinary activities	up	44%	to	\$15,811,395
Profit from ordinary activities after tax attributable to members	up	99%	to	\$1,020,486
Net profit attributable to members	up	99%	to	\$1,020,486

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
	2013	2012
	\$	\$
	0.04	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 2013. The previous corresponding period is the half-year ended 31 December 2012.

Commentary on the results for the half-year ended 31 December 2013

Highlights for H1 FY14

- NPAT increased 99% to \$1m
- Revenue increased 44% to \$16 million
- Total volume increased by 42% to 960k carton equivalents*
- Keg production volume increased 129% to 8,600 kegs

* One carton equivalent = 7.92L = 24 x 330mL bottles = 0.16 x 50L kegs

The first half of FY14 saw strong production and sales growth, incrementally higher earnings growth and gross profit margins in keeping with our expectations. Now entering the second half of our 4-year Growth Plan, the Company continues to adhere closely to its core strategies: targeting steady growth in sales at consistent margins by way of our three tier sales strategy, utilising the expanded production capacity and fixed nature of the cost structure to provide scale and leveraged earnings growth.

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.

Financial Results

The half-year's growth in sales volumes resulted in revenue of \$16m, an increase of 44% in comparison to the corresponding half-year period (H1 FY13 \$11m). The sales mix strategy for the half-year focused on increasing volumes of other contract brewing customers, craft beers, cider and draught products which helped deliver a 49% gross profit margin, consistent with expectations. The Company is pleased to post an EBITDA of \$2.1m and an NPAT of \$1m, an increase of 99% over the same corresponding period (H1 FY13: \$513k).

Sales

The Company achieved record sales results in November (250k carton equivalents) and December (200k carton equivalents) as the business neared full utilisation in the lead up to Christmas. Total volume for the half-year exceeded 7.6m litres, an increase of 42% over the prior year comparative period (H1 FY13: 5.4m litres).

In line with our three-tier sales strategy, key growth areas in comparison to the first half FY13 included a 129% increase in draught (keg) sales as our draught strategy starts to bear fruit and 54% growth in our contract brewing services.

Although Atomic, Sleeping Giant IPA and our mid-strength Pils continue to be standouts of our product range, delivering 63% growth across those 3 brands, sales for Gage Roads' proprietary products in total declined 14% in comparison to the first half FY13. Gage Lager and Wahoo underperformed in line with the consumer shift towards more craft focused beers and a decline in promotional activity in comparison to the previous year. This result supports the Company's rebranding strategy as we work with our cornerstone customer towards rebranding and extending our craft range and repositioning our Wahoo and Lager offerings. The Company expects our rebranded range to hit the shelves around July 2014 in time for next year's summer season. Unfortunately, getting the rebranding right has taken longer than expected and was not achieved in time for this summer.

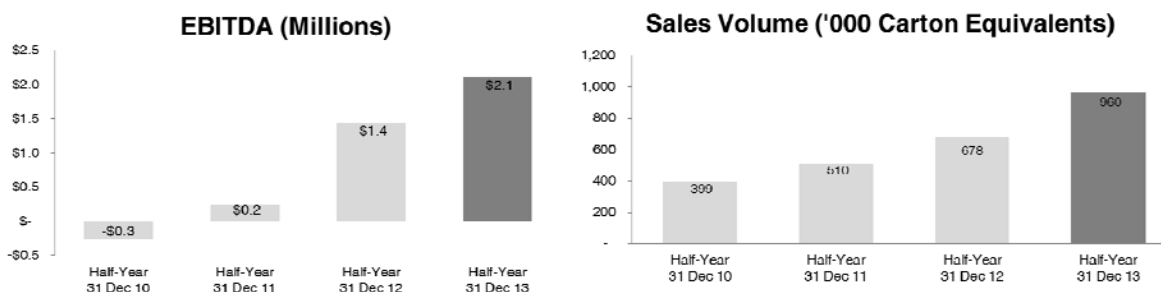
In keeping with our strategy to become Australia's #1 contract craft brewery, during the half-year the Company commenced production for new customer Westons World Brands of their product Weston's Premium Cider. Gage Roads also launched 9 new brands for contract customers and was proud to assist our customers to achieve 8 gold, silver and other awards for their brands at various shows around the country.

Underpinning our internal sales plans, the Company, through its flexible craft infrastructure, craft ethos and craft focused product range, continues to enjoy a strong strategic position taking advantage of the Australia-wide growth of the total craft beer market.

Costs

In consideration of our 4-Year Growth Plan target (achieving a 50% reduction of the operating cost structure on a per carton basis by the end of FY15), November and December's production (2.7m carton equivalents annualised) provided the Company with an opportunity to assess this goal for the first time. Analysis of these peak months indicated that variable costs, such as gas, electricity, waste water, CO2 and production labour presented with a significantly fixed portion. In comparison to FY11, when the goal was set, and a little over half way through our strategic plan, these months achieved savings of approximately 30% on a per carton basis. Accordingly, the Company feels that retaining a 50% reduction target for the end of FY15 remains an appropriate goal.

The Company's fixed cost structure was in line with expectations. As previously announced, additional employee expenses were incurred as new employees were recruited to fill the roles of head brewer, packaging manager, technical manager and head engineer. As the volume and number of products increase, the need for stronger human resources became apparent and closures and restructurings of local breweries had provided supply and experience to the labour market that was previously unavailable. The Company feels that the current management and operations team has the depth of experience and skills required to achieve our 4-Year Growth Plan. Sales and marketing expenses have also increased to accommodate the draught, marketing and re-branding strategies for the Company's proprietary product portfolio.



Cash Flow and Balance Sheet

The Company has achieved a cash flow positive result from operations of \$551k. This compares to \$4.6m in H1 FY13, which represented a combination of increased collection of receivables and an increase in creditors to align operating cash inflows with investing cash outflows at that time. During the current half-year period the creditor position was unwound and in comparison to the previous period an extra \$2m has been applied towards creditors. Additionally, an extra \$1.7m has been absorbed by increased receivables and \$520k applied towards inventory. This is reflected in an improvement of the net current asset deficiency of \$849k at 31 December 2013 (excluding the credit facility as further discussed below) compared to a deficiency of \$4.6m at 31 December 2013.

Payments for non-current physical assets amounted to \$2.4m and were a combination of payments for the existing brew house, the new kegging machine, reduction in CAPEX creditors and other plant improvements.

Proceeds of \$550k from the issue of shares was raised through the repayment of loans relating to employee loan funded shares which had been sold on-market during the period as previously disclosed.

As announced on 24 February 2014, the Company has extended its \$5.7m credit facility with the ANZ to October 2015. Although this extension sees the facility's term extended beyond 12 months from 31 December 2013, Australian Accounting Standards require the facility to be classified as a current liability for this Half-Year Financial Report as the extension was not in place as at 31 December 2013. This facility will again become a non-current liability for the 30 June 2014 Financial Report.

Production

In support of the draught strategy, the new KHS kegging machine has arrived and is in production. The keg filling machine is designed to produce up to 90 kegs per hour and accommodates long-term growth in draught production capacity and provides on-going operational and labour cost savings.

Operating at full capacity in November and December highlighted some limitations in our existing packaging line and logistics operations. Our engineers are evaluating the possibility of re-building, upgrading or replacing some of the key packaging line components in order to meet the Company's goal of achieving production of 3m cases per annum by FY15 and reducing its operating cost per carton by 50%. These projects, provided they meet our investment criteria, are expected to be undertaken in winter 2014 and winter 2015. Once determined, costs and funding strategies will be announced to the shareholders.

The operations team is investigating potential warehousing solutions with a view to improve operational and logistical efficiencies for next summer's peak demand period. Although warehousing would traditionally indicate an increase in fixed costs, the company is working to create a model which would see packaging and logistical efficiencies offset the cost.

Outlook for H2 FY14

It was exciting for the team to operate the business in the lead to Christmas at close to its expected annualised capacity and the Company commends their contribution to the solid first half result. With the remainder of summer looking strong and the relationships with our customers continuing to grow, the Company expects the full year growth rate to be similar to that achieved in the first half. In the second half of FY14 the Company will continue to deliver on its 4 Year Growth Plan, including diversification of revenue streams, improvement in manufacturing efficiencies and taking advantage of the burgeoning craft beer market.

Please refer to the attached Financial Report for the half-year ended 31 December 2013 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:

M. Brandenburg

Company Secretary

Date: 28 February 2014

Name:

Marcel Brandenburg



**GAGE ROADS BREWING CO LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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 2013, 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 2013

Corporate Directory

Directors

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

Managing Director

John Hoedemaker

Company Secretary

Marcel Brandenburg

**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

Steinpreis 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 2013

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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2013

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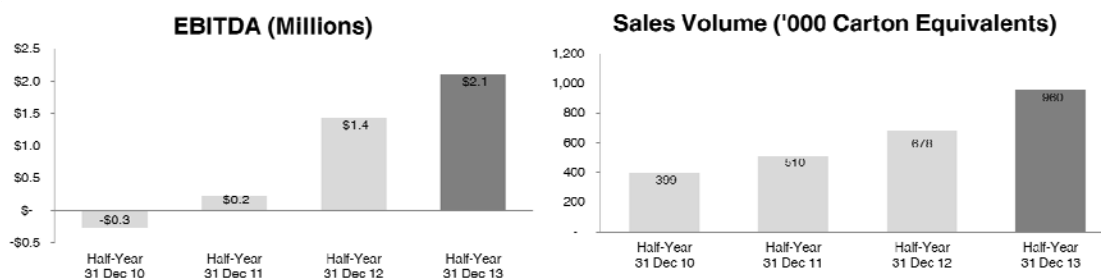
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Gage Roads Brewing Co Ltd
Review of Operations
For the Half-Year Ended 31 December 2013

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John Hoedemaker
Managing Director

Gage Roads Brewing Co Ltd
Directors' Report
For the Half-Year Ended 31 December 2013

Directors' Report

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2013.

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
Ian Olson (Chairman)
John Hoedemaker
Robert Gould

Managing Director

John Hoedemaker

Company Secretary

Marcel Brandenburg

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 of the Company for the half-year ended 31 December 2013 after providing for income tax amounted to \$1,020,486 (2012: \$513,708).

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 2014

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

As lead auditor for the review of Gage Roads Brewing Co. Ltd for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2014

Gage Roads Brewing Co Ltd
Directors' Declaration
For the Half-Year ended 31 December 2013

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 2013 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:



Ian Olson
Chairman

Palmyra
28 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gage Roads Brewing Co. Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gage Roads Brewing Co. Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of 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 2013 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. Ltd, 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. Ltd, 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. Ltd 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 2013 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, 28 February 2014

Gage Roads Brewing Co Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2013

	Notes	31 December 2013 \$	31 December 2012 \$
Revenue from continuing operations			
Sales revenue		15,752,230	10,972,007
Interest revenue		59,165	1,806
	2	15,811,395	10,973,813
Other income	2	91,422	9,468
Raw materials, consumables & delivery		(8,048,209)	(5,149,167)
Operating expenses		(2,226,623)	(1,657,928)
Employee expense		(2,755,704)	(2,163,088)
Depreciation and amortisation expense		(476,386)	(346,001)
Impairment charges		(32,686)	(148,101)
Sales and marketing		(282,034)	(64,246)
Administration costs		(276,069)	(206,836)
Occupancy costs		(173,262)	(153,469)
Finance costs		(174,007)	(276,958)
Profit before income tax	3	1,457,837	817,487
Income tax expense/benefit		(437,351)	(303,779)
Net Profit for the half-year		1,020,486	513,708
Total comprehensive income for the half-year		1,020,486	513,708
Profit and Other Comprehensive Income attributable to members of Gage Roads Brewing Co Ltd		1,020,486	513,708
Profit per share attributable to the ordinary equity holders of the company:			
Basic and diluted profit per share (cents)		0.25	0.15

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 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,863,854	5,173,283
Trade and other receivables		4,509,109	2,345,867
Inventories		2,763,383	1,754,428
Total current assets		11,136,346	9,273,578
Non-current assets			
Property, plant and equipment	4	21,902,743	20,944,352
Intangible assets		108,432	94,971
Deferred tax asset	5	2,358,157	2,795,508
Total non-current assets		24,369,332	23,834,831
Total assets		35,505,678	33,108,409
LIABILITIES			
Current liabilities			
Trade and other payables	6	11,984,936	11,274,682
Borrowings	7	5,669,931	48,297
Total current liabilities		17,654,867	11,322,979
Non-current liabilities			
Provisions		136,700	130,500
Borrowings	7	-	5,612,564
Total non-current liabilities		136,700	5,743,064
Total liabilities		17,791,567	17,066,043
Net assets		17,714,110	16,042,366
EQUITY			
Contributed equity	8	25,640,998	25,091,405
Share options reserve		990,278	888,612
Accumulated losses		(8,917,166)	(9,937,651)
Total equity		17,714,110	16,042,366

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 2013

	Contributed equity \$	Accumulated Losses \$	Share Option reserve \$	Total equity \$
At 1 July 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:				
Issue of share capital, net of transaction costs	-	-	-	-
Employee and other share options expensed	-	-	188,027	188,027
At 31 December 2012	17,262,904	(10,286,033)	798,858	7,775,729
Total comprehensive income for the half-year	-	348,382	-	348,382
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital, net of transaction costs	7,828,501	-	-	7,828,501
Employee share plan shares expensed	-	-	89,754	89,754
At 30 June 2013	25,091,405	(9,937,651)	888,612	16,042,366
Total comprehensive income for the half-year capacity as equity holders:	-	1,020,485	-	1,020,485
Contributions of equity, net of transaction costs	549,593	-	-	549,593
Issue of share capital, net of transaction costs				
Director share options expensed				
Employee and other share options expensed	-	-	101,666	101,666
At 31 December 2013	25,640,998	(8,917,166)	990,278	17,714,110

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 2013

	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST, WET and Excise Tax)	23,520,380	18,631,624
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	(22,850,398)	(13,996,532)
	<u>669,982</u>	<u>4,635,092</u>
Interest received	54,966	1,806
Interest paid	(174,007)	(276,958)
Net cash inflow from operating activities	<u>550,941</u>	<u>4,359,940</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(2,419,033)	(2,964,892)
Net cash outflow from investing activities	<u>(2,419,033)</u>	<u>(2,964,892)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	549,593	-
Proceeds from borrowings	91,700	66,415
Repayment of borrowings	(82,629)	(61,868)
Net cash inflow from financing activities	<u>558,664</u>	<u>4,547</u>
Net increase/(decrease) in cash and cash equivalents	(1,309,428)	1,399,595
Cash and cash equivalents at the beginning of the financial half-year	5,173,283	1,580,241
Cash and cash equivalents at the end of the financial half-year	<u>3,863,854</u>	<u>2,979,836</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 2013

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 2013 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.

These half-year financial statements do not include all the notes of the type normally included in the annual financial statements 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 statements. Accordingly, this half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 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

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 13 Fair Value Measurement;
- AASB 119 Employee benefits;
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

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 2013. 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.

Note 2 : Revenue & Other Income

	31 December 2013 \$	31 December 2012 \$
<i>Revenue</i>		
Sale of goods	23,179,828	17,214,016
Less: Excise tax & WET collected	(7,427,597)	(6,242,009)
Total sale of goods	15,752,230	10,972,007
Interest	59,165	1,806
	15,811,395	10,973,813
<i>Other income</i>		
Other	91,422	9,468
	15,902,817	10,983,281

Note 3 : Expenses

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

	31 December 2013 \$	31 December 2012 \$
Employee share-based payment expense	101,666	188,027
Impairment in relation to obsolete equipment	32,686	148,101
	134,352	336,128

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2013

Note 4 : Property, plant & equipment

	Plant and equipment	Office equipment	Motor vehicles	Total
At 30 June 2013				
Cost or fair value	23,330,217	211,600	202,387	23,744,204
Accumulated depreciation	(2,472,582)	(162,184)	(165,086)	(2,799,852)
Net book amount	20,857,635	49,416	37,301	20,944,352
Half-year ended 31 December 2013				
Opening net book amount	20,857,635	49,416	37,301	20,944,352
Additions	1,387,806	24,936	22,164	1,434,906
Depreciation charge	(425,654)	(14,901)	(3,274)	(443,830)
Impairment Charge	(32,686)	-	-	(32,686)
Closing net book amount	21,787,101	59,451	56,191	21,902,743
At 31 December 2013				
Cost or fair value	24,718,023	236,536	224,551	25,179,110
Accumulated depreciation	(2,898,236)	(177,085)	(168,360)	(3,243,682)
Impairment Charge	(32,686)	-	-	(32,686)
Net book amount	21,787,101	59,451	56,191	21,902,743

(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 2013 \$	30 June 2013 \$
Plant and equipment	1,167,780	329,549

Note 5 : Income tax benefit / Deferred Tax Asset

	31 December 2013 \$	30 June 2013 \$
(a) Deferred tax asset		
Recognition of deferred tax asset	2,358,157	2,795,508
(b) Recognised tax losses		
Unused tax losses for which a deferred tax asset has been recognised	7,860,524	9,318,360
Deferred tax asset @ 30%	2,358,157	2,795,508

Deferred tax assets and liabilities have been brought to account as at 31 December 2013 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.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2013

Note 5 : Income tax benefit / Deferred Tax Asset (Continued)

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 2013 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 2013 \$	30 June 2013 \$
Trade and other payables from operations	9,569,416	8,721,054
Payables for capital equipment	2,415,520	2,553,628
	<u>11,984,936</u>	<u>11,274,682</u>

Note 7 : Borrowings

The Company has a committed credit facility of \$5.7 million with the ANZ Banking Group which is drawn to \$5.61m million at the period end. This facility expires in October 2014. On 24 February 2014 the Company has executed a letter of variation to extend the term of the facility by 12 months expiring October 2015.

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

Contractual maturities of financial liabilities

At 31 December 2013				Total contractual cash flows	Carrying Value
	< 1 year	1 - 2 years	2 - 5 years		
Trade payables	9,200,452	-	-	9,200,452	9,200,452
Other payables	2,784,484	-	-	2,784,484	2,784,484
Loans & leases	5,968,931	299,000	-	6,267,932	5,669,931
Total Payable	17,953,867	299,000	-	18,252,868	17,654,867

Contractual maturities of financial liabilities

At 30 June 2013				Total contractual cash flows	Carrying Value
	< 1 year	1 - 2 years	2 - 5 years		
Trade payables	7,350,199	-	-	7,350,199	7,350,199
Other payables	1,727,485	-	-	1,727,485	1,727,485
Loans & leases	661,062	5,696,331	-	6,357,393	5,660,861
Total Payable	9,738,746	5,696,331	-	15,435,077	14,738,545

There have been no changes to the terms, conditions and security over the loans from the disclosures in the 30 June 2013 annual report.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
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Note 8 : Contributed equity

	31 December 2013 Shares	31 December 2012 Shares	31 December 2013 \$	31 December 2012 \$
(a) Share Capital				
Ordinary shares				
Fully paid	395,659,545	341,159,545	25,640,998	17,262,904
	2013	2012	2013	2012
	Shares	Shares	\$	\$
(b) Movement in contributed equity:				
1 July (opening balance)	396,132,293	341,159,545	25,091,405	17,262,904
New shares issued	-	-	-	-
<i>Issues of shares during the year</i>				
Ordinary shares issued	-	-	-	-
Proceeds from loan-funded shares	-	-	549,593	-
Shares cancelled	(500,000)	-	-	-
31 December (closing balance)	395,632,293	341,159,545	25,640,998	17,262,904

At 31 December 2013 there were 395,632,293 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 2013.

Note 10 : Events occurring after reporting date

On 24 February 2014, the Company has executed a letter of variation with the ANZ Banking Group on its existing credit facility to extend the term by 12 months, expiring October 2015.

No other matter or circumstance other than those mentioned above have arisen since 31 December 2013, 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 : Fair Value Financial Instruments

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements

Fair values of financial instruments not measured at fair value

The Company does not have any financial instruments that are not measured at fair value.

Note 12 : 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.

Gage Roads Brewing Co Ltd
Notes to the Financial Statements
For the Half-Year ended 31 December 2013

Note 12 : Segment Reporting (Continued)

	31 December 2013 \$	31 December 2012 \$
Revenue from external sources	15,752,230	10,972,007
Net profit (loss) before tax	1,457,837	817,487
Reportable segment assets	35,505,678	28,520,100
Reportable segment liabilities	17,791,567	17,066,043

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.