

# Appendix 4D Half-Year Report

## Gage Roads Brewing Co Limited ABN 22 103 014 320

For the half-year ended 31 December 2014

### Results for announcement to the market

Revenue from ordinary activities	down	8%	to	\$14,488,612
Profit from ordinary activities after tax attributable to members	down	71%	to	\$296,213
Net profit attributable to members	down	71%	to	\$296,213

### Dividends (distributions)

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

<b>Net tangible assets per share</b>	<b>31 December</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	\$	\$
	<b>0.04</b>	<b>0.04</b>

### 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 2014. The previous corresponding period is the half-year ended 31 December 2013.

## Commentary on the results for the half-year ended 31 December 2014

### H1 FY15 Summary

- Sales volume down 8% to 864,000 carton equivalents
- Revenue down 8% to \$14.5 million
- Gross profit margin up to 51.4%
- NPAT down 71% to \$0.30 million

*One carton equivalent = 7.92L = 24 x 330mL bottles = 0.16 x 50L kegs  
All comparisons to H1 FY14*

The first half of FY15 saw a modest decline in sales volume and revenue of 8%, in comparison to H1 FY14. While at odds with our ambitions for H1 FY15, and certainly disappointing, the Company remains confident about the outlook for the business, in particular the extension to the Woolworths Supply Agreement and debt guarantee, the brand refresh and resultant market response for Gage Roads' proprietary products as well as continued growth in other third party contract brewing opportunities.

Whilst the softening of revenue towards break-even volumes has impacted on earnings, the first half results reinforce the fundamental core of our business strategy, which is to produce and sell in excess of 2 million cases per annum and move towards the 3 million case capacity of our Palmyra facility while maintaining strong margins and a relatively fixed cost structure.

The Company continues to adhere closely to its Growth Plan: targeting steady growth in sales at consistent margins by way of our four tier sales strategy, utilising the expanded production capacity and fixed nature of the cost structure to provide scale and leveraged earnings growth.

GRB Core Strategies	
<b>Production</b>	<ul style="list-style-type: none"><li>• Triple production capacity to 3 million cartons</li><li>• Target full utilisation by FY17</li></ul>
<b>Costs</b>	<ul style="list-style-type: none"><li>• Reduce operating costs per case by 50% by full utilisation</li></ul>
<b>Sales</b>	<ul style="list-style-type: none"><li>• Continue partnering the growth of Woolworths' exclusive brands strategy.</li><li>• Continue as Australia's # 1 contract craft brewery.</li><li>• Increase Gage Roads brand awareness and value</li><li>• Increase draught sales.</li></ul>
<b>Productivity</b>	<ul style="list-style-type: none"><li>• 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.</li></ul>

### Financial Results

The half-year's decline in sales volumes resulted in revenue of \$14.5 million, a decrease of 8% in comparison to the corresponding half-year period (H1 FY14 \$15.8 million). Correspondingly EBITDA was down 43% to \$1.2 million (H1 FY14 \$2.1 million) and NPAT was down 71% to \$0.30 million (H1 FY14 \$1.02 million).

#### Sales

The decline in total sales for the first half, comprising a reduction of 6% over H1 FY14 for our contract brewing services division Australian Quality Beverages and a reduction of 19% over H1 FY14 for our proprietary products, resulted from a number of factors:

- A general softening of trading conditions as the beer market did not exhibit growth over the Christmas trading period.
- Delays in executing the re-refresh of Gage Roads' proprietary brands in time for successful ranging, distribution and promotional planning during the crucial November and December Christmas sales period.
- The new warehousing strategy implemented during the half saw a number of weeks of lost sales as our customers reduced their inventories on average by 35%.
- Some of our proprietary brands as well as those produced for customers of Australian Quality Beverages were in decline and in need of repositioning and refreshing.

During the current quarter the Company has worked to resolve the issues within our control and mitigate those that are not. Whilst we cannot predict the general trading conditions of the beer market we note that the Company is well positioned to take advantage of the strongest performing segment of the domestic beer market – craft beer – which continues to grow at 11% per annum. Ranging of the refreshed Gage Roads Craft Range, having now been successfully executed, leverages the Company to this growth story.

Brands introduced to the Gage Roads Craft Range during the half-year include Narrow Neck Session Ale, Single Fin Summer Ale and Breakwater Australian Pale Ale. Stores that did have reasonable ranging of our new and re-branded products during the first-half displayed strong sales and consumer acceptance of our new products, providing the Company early indications that the re-refresh will deliver an anticipated uplift in sales. Alongside our established brands Atomic Pale Ale and Sleeping Giant IPA, the new Gage Roads Craft Range will continue to support and grow our current position as Australia's 5th largest craft brewery.

The new Wahoo Summer Lager has been refreshed, re-positioned and successfully ranged into the contemporary clear bottle "summer lager" category, which is currently enjoying significant growth. Our premium range including Gage Roads Small Batch Lager and Pils 3.5% have also benefited from a refreshed, contemporary feel and resultant successful ranging.

During the quarter the Company's new warehouse strategy came into effect with the opening of our 2,200m<sup>2</sup> warehouse. Whilst designed to improve production efficiency, reduce costs and improve our ability to service customers, commissioning the warehouse also had the undesirable consequence of shifting inventory from our customer's account onto ours. The effect on sales for the first-half was approximately 6 weeks of extraordinarily low sales period while our customers sold down their inventory. We feel this is a one off event and that our Customer's inventory levels have now normalised.

Sales to contract brewing customers by Australian Quality Beverages decreased by 6% over H1 FY14. Other than the general trading conditions and the one-off warehousing issue discussed above, there are a number of our customer's products that are in decline and are currently facing challenging competition, market conditions or changes in brand strategy. Australian Quality Beverages has worked with its major customers to re-define their brand portfolio strategies to help grow sales in line with our expectations over the coming years. Some of these strategies will include the refresh, repositioning or deletion of existing brands and the introduction of a number of new brand opportunities. We expect the impact of these redefined strategies and ensuing uplift in sales to fall into FY16.

In recent days the Company has underlined the continuing strength of our relationship with Pinnacle Drinks (a subsidiary of Woolworths Limited) and our continued support of Pinnacle's exclusive brands strategy through the extension of our supply agreement and Woolworth's guarantee of the Company's ANZ debt facility. The supply agreement includes a minimum commitment of Woolworths to purchase at least 1 million cartons per annum and reflects the mutual confidence that the businesses have in each other's capabilities and strategies.

The Company is also pleased to welcome Chris Baddock to the Board. Chris has extensive experience in the beer market, having previously served in executive positions within Lion Nathan and with his recent appointment as General Manager of Pinnacle Drinks, the Board looks forward to his insights and contributions.

#### *Costs*

At a gross profit level, the Company has improved its margin from 48.9% in H1 FY14 to 51.4% in H1 FY15. This is a direct result of new pricing that was negotiated with our key customers to accurately reflect the cost of production and to absorb some of the additional costs incurred from the introduction of the warehouse strategy and ongoing quality assurance compliance.

Employee expenses have increased 17% as a result of increased resourcing of our quality assurance department and increases in general remuneration levels. The remainder of the cost structure has largely remained fixed, which is in line with the desired business model and highlights that once the operation achieves planned production volumes, materially improved levels of earnings will be generated.

#### *Cash Flow and Balance Sheet*

Net operating cash outflows were \$2.1 million for the half-year and were mainly a result of an increase in debtors in late December. The Company's net current asset position has improved during the half-year excluding the long-term debt (further discussed below).

Investing cash outflows have been reduced to \$1.1 million during the half-year and relate to our continuous improvement program.

Cash inflows from financing activities were \$3 million and our existing \$9.7 million debt facility is now drawn to \$8.6 million. This facility has been extended by 12 months to expire in October 2016 but will show as a current liability in the half-year financial report as this process was not completed prior to 31 December 2014. The Company's \$2 million overdraft facility remains in place and is currently undrawn.

#### **Marketing**

The first leg of our craft beer marketing strategy has been well executed. Primarily focused on Western Australia, the strategy encompasses three areas of focus: increasing brand awareness, increasing opportunities for trial, and creating an engaging brand experience.

On-premise distribution and events partnerships have been the key tactics employed in support of this strategy. In the half-year the Company executed partnerships with a number of organisations including the Art Gallery of Western Australia, Red Bull, Miss Universe WA, Telethon Speech & Hearing, the Corner Gallery, and Artsource,

amongst many others. These partnerships were in addition to pouring rights agreements at events such as the WA Festival of Cricket, and Fringeworld satellite events in Fremantle and Perth.

The Company plans to increase the number and scale of these event partnerships in Western Australia in the lead up to the 2015/16 summer and hopes to replicate the second leg of this strategy in at least one on-premise market on the east coast during FY16.

Gage Roads' draught and on-premise strategy has gained significant traction with more tap points secured at key WA venues. This strategy forms an important part of our marketing approach and serves to build the Gage Roads brand and establish yet another touch-point for our customers.

## **Production**

The introduction of our warehouse strategy and the subsequent smoothing of our production profile has already benefited the business, resulting in increased plant efficiencies, improvements in key performance KPI's such as DIFOT (Delivered In Full On Time) and a more robust quality assurance system.

Whilst the warehouse strategy led to a one-time adjustment in our customers' inventory holdings, we expect the resultant production improvements to continue to drive efficiencies and reduced operating costs.

## **Outlook for H2 FY15**

Although the first half of FY15 was disappointing, the strength of the relationship with our major retail partner has been underlined and we expect that a redefined portfolio plan will be executed during H2 FY15 and will help us drive sales and earnings into FY16.

The balance of FY15 will see Gage Roads' proprietary products bed down ranging and distribution, with promotion activities and increased marketing effort expected to generate positive results in the typically quieter 2<sup>nd</sup> half.

The Company will also look to utilise production capacity to secure new business for its Australian Quality Beverages contract brewing and packing division.

Gage Roads continues to adhere closely to its core strategies: targeting steady growth in sales at consistent margins by way of our four tier sales strategy, utilising the expanded production capacity and fixed nature of the cost structure to provide scale and leveraged earnings growth.

Please refer to the attached Financial Report for the half-year ended 31 December 2014 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.



Brandenburg

Signed:

Company Secretary

Date: 27 February 2015

Name:

Marcel Brandenburg



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**GAGE ROADS BREWING CO LIMITED  
FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**ABN 22 103 014 320**

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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 2014, 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 2014**

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**Corporate Directory**

**Directors**

Brad Banducci (Alternate Director to Chris Baddock)  
Chris Baddock (Appointed 20 February 2015)  
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](http://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**

Automic Registry Services  
PO BOX 223  
WEST PERTH WA 6872

*Registry Enquiries*

Within Australia: 1300 288 664  
Outside Australia: (+61 8) 9324 2099

**Gage Roads Brewing Co Ltd**  
**Financial Report**  
**For the Half-Year Ended 31 December 2014**

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**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Half-Year Ended 31 December 2014**

**Commentary on the results for the half-year ended 31 December 2014**

**H1 FY15 Summary**

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**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Half-Year Ended 31 December 2014**

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**Gage Roads Brewing Co Ltd**  
**Review of Operations**  
**For the Half-Year Ended 31 December 2014**

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John Hoedemaker

**Managing Director**

**Gage Roads Brewing Co Ltd**  
**Directors' Report**  
**For the Half-Year Ended 31 December 2014**

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**Directors' Report**

Your Directors present their report on Gage Roads Brewing Co Limited for the half-year ended 31 December 2014.

**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.

Brad Banducci	(Appointed alternate Director to Chris Baddock 20 February 2015)
Chris Baddock	(Appointed 20 February 2015)
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 2014 after providing for income tax amounted to \$296,213 (2013: \$1,020,486).

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 8.

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



Ian Olson  
**Chairman**

Palmyra  
27 February 2015

## 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 2014, 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, 27 February 2015

**Gage Roads Brewing Co Ltd**  
**Directors' Declaration**  
**For the Half-Year ended 31 December 2014**

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The Directors of the Company declare that:

- (a) The financial statements and notes set out on pages 12 to 20 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 2014 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  
27 February 2015

## 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 2014, 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 a statement 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 2014 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 2014 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, 27 February 2015



**Gage Roads Brewing Co Ltd**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Half-Year ended 31 December 2014**

	Notes	31 December 2014 \$	31 December 2013 \$
<b>Revenue from continuing operations</b>			
Sales revenue		14,488,612	15,752,230
Interest revenue		4,336	59,165
	2	<u>14,492,948</u>	<u>15,811,395</u>
Other income	2	39,915	91,422
Raw materials, consumables & delivery		(7,042,694)	(8,048,209)
Operating expenses		(2,341,638)	(2,226,623)
Employee expense		(3,222,772)	(2,755,704)
Depreciation and amortisation expense		(577,711)	(476,386)
Impairment charges		(37,632)	(32,686)
Sales and marketing		(273,232)	(282,034)
Administration costs		(232,646)	(276,069)
Occupancy costs		(187,844)	(173,262)
Finance costs		(190,460)	(174,007)
<b>Profit before income tax</b>	3	<u>426,235</u>	<u>1,457,837</u>
Income tax (expense)/benefit		(130,022)	(437,351)
<b>Net Profit after tax for the half-year</b>		<u>296,213</u>	<u>1,020,486</u>
<b>Total comprehensive income for the half-year</b>		<u>296,213</u>	<u>1,020,486</u>
<b>Profit and Other Comprehensive Income attributable to members of Gage Roads Brewing Co Ltd</b>		<u>296,213</u>	<u>1,020,486</u>
<b>Profit per share attributable to the ordinary equity holders of the company:</b>			
Basic and diluted profit per share (cents)		0.08	0.25

*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 2014**

	Notes	31 December 2014 \$	30 June 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		886,895	1,027,436
Trade and other receivables		6,534,285	2,634,527
Inventories		2,821,602	2,840,085
<b>Total current assets</b>		<b>10,242,782</b>	<b>6,502,048</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	23,334,444	22,815,014
Intangible assets		89,929	136,377
Deferred tax asset	5	2,769,673	2,899,695
<b>Total non-current assets</b>		<b>26,194,046</b>	<b>25,851,086</b>
<b>Total assets</b>		<b>36,436,828</b>	<b>32,353,134</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	10,540,744	9,798,834
Borrowings	7	8,723,273	84,038
<b>Total current liabilities</b>		<b>19,264,017</b>	<b>9,882,872</b>
<b>Non-current liabilities</b>			
Provisions		168,400	149,500
Borrowings	7	-	5,612,564
<b>Total non-current liabilities</b>		<b>168,400</b>	<b>5,762,064</b>
<b>Total liabilities</b>		<b>19,432,417</b>	<b>15,644,936</b>
<b>Net assets</b>		<b>17,004,411</b>	<b>16,708,198</b>
<b>EQUITY</b>			
Contributed equity	8	26,012,998	26,012,998
Share options reserve		1,010,093	1,010,093
Accumulated losses		(10,018,680)	(10,314,893)
<b>Total equity</b>		<b>17,004,411</b>	<b>16,708,198</b>

*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 2014**

	<b>Contributed equity \$</b>	<b>Accumulated Losses \$</b>	<b>Share Option reserve \$</b>	<b>Total equity \$</b>
<b>At 1 July 2013</b>	25,091,405	(9,937,651)	888,612	16,042,366
<b>Total comprehensive income for the half-year</b>	-	1,020,486	-	1,020,486
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Contributions of equity, net of transaction costs	549,593	-	-	-
Employee and other share options expensed	-	-	101,666	101,666
<b>At 31 December 2013</b>	<b>25,640,998</b>	<b>(8,917,165)</b>	<b>990,278</b>	<b>17,714,110</b>
<b>Total comprehensive income for the half-year</b>	-	(1,397,728)	-	(1,397,728)
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Issue of share capital, net of transaction costs	372,000	-	-	372,000
Employee share plan shares expensed	-	-	19,815	19,815
<b>At 30 June 2014</b>	<b>26,012,998</b>	<b>(10,314,893)</b>	<b>1,010,093</b>	<b>16,708,198</b>
<b>Total comprehensive income for the half-year capacity as equity holders:</b>	-	296,213	-	296,213
Contributions of equity, net of transaction costs	-	-	-	-
Issue of share capital, net of transaction costs	-	-	-	-
Director share options expensed	-	-	-	-
Employee and other share options expensed	-	-	-	-
<b>At 31 December 2014</b>	<b>26,012,998</b>	<b>(10,018,680)</b>	<b>1,010,093</b>	<b>17,004,411</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 Half-Year ended 31 December 2014**

	<b>31 December 2014 \$</b>	31 December 2013 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST, WET and Excise Tax)	<b>19,543,201</b>	23,520,380
Payments to suppliers and employees (inc. of GST, WET and Excise Tax)	<b>(21,443,997)</b>	(22,850,398)
	<b>(1,900,796)</b>	669,982
Interest received	<b>4,336</b>	54,966
Interest paid	<b>(190,460)</b>	(174,007)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,086,920)</b>	550,941
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<b>(1,080,293)</b>	(2,419,033)
<b>Net cash outflow from investing activities</b>	<b>(1,080,293)</b>	(2,419,033)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	-	549,593
Proceeds from borrowings	<b>3,128,268</b>	91,700
Repayment of borrowings	<b>(101,597)</b>	(82,629)
<b>Net cash inflow from financing activities</b>	<b>3,026,671</b>	558,664
<b>Net decrease in cash and cash equivalents</b>	<b>(140,542)</b>	(1,309,428)
Cash and cash equivalents at the beginning of the financial half-year	<b>1,027,436</b>	5,173,283
<b>Cash and cash equivalents at the end of the financial half-year</b>	<b>886,895</b>	3,863,854

*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 2014**

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**Note 1 : Summary of significant accounting policies**

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

The general purpose financial report for the half-year reporting period ended 31 December 2014 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 2014 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 and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

**Impact of standards issued but not yet applied by the entity**

There were no new standards issued since 30 June 2014 that have been applied by Gage Roads Brewing Co Limited. The 30 June 2014 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2014.

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**Note 2 : Revenue & Other Income**

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	<b>31 December 2014</b>	<b>31 December 2013</b>
	\$	\$
<i>Revenue</i>		
Sale of goods	21,184,742	23,179,828
Less: Excise tax & WET collected	(6,696,130)	(7,427,597)
Total sale of goods	14,488,612	15,752,230
Interest	4,336	59,165
	<b>14,492,947</b>	<b>15,811,395</b>
<i>Other income</i>		
Other	39,915	91,422
	<b>14,532,862</b>	<b>15,902,817</b>

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**Note 3 : Expenses**

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

	<b>31 December 2014</b>	<b>31 December 2013</b>
	\$	\$
Employee share-based payment expense	-	101,666
Impairment in relation to obsolete equipment	37,632	32,686
	<b>37,632</b>	<b>134,352</b>

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**For the Half-Year ended 31 December 2014**

**Note 4 : Property, plant & equipment**

	Plant and equipment	Office equipment	Motor vehicles	Total
<b>At 30 June 2014</b>				
Cost or fair value	26,149,878	256,693	220,892	26,627,463
Accumulated depreciation	(3,446,269)	(193,164)	(173,016)	(3,812,449)
Net book amount	22,703,609	63,529	47,876	22,815,014
<b>Half-year ended 31 December 2014</b>				
Opening net book amount	22,703,609	63,529	47,876	22,815,014
Additions	1,031,494	39,416	19,082	1,089,992
Depreciation charge	(495,526)	(17,610)	(5,758)	(518,893)
Impairment Charge	(31,832)	-	-	(31,832)
Disposals	(5,669)	-	(14,169)	(19,838)
Closing net book amount	23,202,077	85,336	47,031	23,334,444
<b>At 31 December 2014</b>				
Cost or fair value	27,181,373	296,109	239,974	27,717,455
Accumulated depreciation	(3,941,795)	(210,773)	(178,774)	(4,331,342)
Impairment Charge	(31,832)	-	-	(31,832)
Disposals	(5,669)	0	(14,169)	(19,838)
Net book amount	23,202,077	85,336	47,031	23,334,444

**(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 2014	30 June 2014
	\$	\$
Plant and equipment	853,948	869,167

**Note 5 : Income tax benefit / Deferred Tax Asset**

	31 December 2014	30 June 2014
	\$	\$
<b>(a) Deferred tax asset</b>		
Recognition of deferred tax asset	2,769,673	2,899,695
<b>(b) Recognised tax losses</b>		
Unused tax losses for which a deferred tax asset has been recognised	9,232,243	9,665,649
Deferred tax asset @ 30%	2,769,673	2,899,695

Deferred tax assets and liabilities have been brought to account as at 31 December 2014 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 2014**

**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 2014 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 2014	30 June 2014
	\$	\$
Trade and other payables from operations	10,156,125	9,343,206
Payables for capital equipment	384,619	455,628
	<u>10,540,744</u>	<u>9,798,834</u>

**Note 7 : Borrowings**

The Company has a committed credit facility of \$9.7 million with the ANZ Banking Group which is drawn to \$8.6m million at the period end. This facility expires in October 2016. On 26 February 2015 the Company has executed a letter of variation to extend the term of the facility by 12 months expiring October 2016. This letter also waived the requirement for the Company to report on the 31 December 2014 covenant, which would have otherwise been breached.

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

**Contractual maturities of financial liabilities**

At 31 December 2014	Total contractual cash flows				Carrying Value
	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	
Trade payables	8,303,795	-	-	8,303,795	8,303,795
Other payables	2,236,950	-	-	2,236,950	2,236,950
Loans & leases	8,723,273	307,525	922,575	9,953,373	8,723,273
Total Payable	19,264,017	307,525	922,575	20,494,118	19,264,017

**Contractual maturities of financial liabilities**

At 30 June 2014	Total contractual cash flows				Carrying Value
	< 1 year	1 - 2 years	2 - 5 years	Total contractual cash flows	
Trade payables	8,266,690	-	-	8,266,690	8,266,690
Other payables	1,765,683	-	-	1,765,683	1,765,683
Loans & leases	624,635	5,691,841	-	6,316,476	5,612,564
Total Payable	10,657,008	5,691,841	-	16,348,849	15,644,937

**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**For the Half-Year ended 31 December 2014**

**Note 7 : Borrowings (Continued)**

There have been no changes to the terms, conditions and security over the loans from the disclosures in the 30 June 2014 annual report. Subsequent to half-year end, the term of the senior debt facility was extended by 13 months to expire in October 2016

**Note 8 : Contributed equity**

	<b>31 December 2014 Shares</b>	31 December 2013 Shares	<b>31 December 2014 \$</b>	31 December 2013 \$
<b>(a) Share Capital</b>				
Ordinary shares				
Fully paid	<b>395,332,293</b>	395,632,293	<b>26,012,998</b>	25,640,998
	<b>2014 Shares</b>	2013 Shares	<b>2014 \$</b>	2013 \$
<b>(b) Movement in contributed equity:</b>				
<b>1 July (opening balance)</b>	<b>395,332,293</b>	396,132,293	<b>26,012,998</b>	25,091,405
<b>New shares issued</b>	-	-	-	-
<i>Issues of shares during the half-year</i>				
Ordinary shares issued	-	-	-	-
Proceeds from loan-funded shares	-	-	-	549,593
Shares cancelled	-	(500,000)	-	-
<b>31 December (closing balance)</b>	<b>395,332,293</b>	395,632,293	<b>26,012,998</b>	25,640,998

At 31 December 2014 there were 395,332,293 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 2014.

**Note 10 : Events occurring after reporting date**

On 26 February 2015, the Company has executed a letter of variation with the ANZ Banking Group on its existing credit facility to extend the term by 13 months, expiring October 2016. This letter also waived the requirement for the Company to report on the 31 December 2014 covenant, which would have otherwise been breached.

On 20 February 2015, Mr. Chris Baddock was appointed non-executive Director of the Company. Mr. Brad Banducci was appointed as alternate Director to Chris Baddock on that same day.

No other matter or circumstance other than those mentioned above have arisen since 31 December 2014, 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.



**Gage Roads Brewing Co Ltd**  
**Notes to the Financial Statements**  
**For the Half-Year ended 31 December 2014**

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**Note 12 : Segment Reporting**

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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.

	<b>31 December 2014</b>	31 December 2013
	<b>\$</b>	<b>\$</b>
Revenue from external sources	<b>14,488,612</b>	15,752,230
Net profit (loss) before tax	<b>426,235</b>	1,457,837
Reportable segment assets	<b>36,436,828</b>	35,505,678
Reportable segment liabilities	<b>19,432,417</b>	17,791,567

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.