

# Appendix 4E Preliminary Final Report

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

**For the financial year ended 30 June 2013**

### Results for announcement to the market

Revenue from continuing activities	up	15%	to	\$22,631,742
Profit from ordinary activities after tax attributable to members	up	72%	to	\$862,090
Net profit attributable to members	up	72%	to	\$862,090

### 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

<b>30 June 2013</b>	30 June 2012
\$	\$
<b>0.03</b>	0.01

### Statement of accumulated losses

	<b>30 June 2013</b>	30 June 2012
	\$	\$
Balance 1 July	<b>(10,799,741)</b>	(11,300,471)
Net profit for the year	<b>862,090</b>	500,730
Balance 30 June	<b><u>(9,937,651)</u></b>	<u>(10,799,741)</u>

### Details of controlled entities

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

### Details of associates and joint venture entities

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

### Reporting Periods

The current reporting period is the financial year ended 30 June 2013. The previous corresponding period is the year ended 30 June 2012.

### Financial statements

The Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and associated notes are contained in the attached Annual Report for the year ended 30 June 2013.

## Commentary on the results for the year ended 30 June 2013

### Highlights

- Revenue increased 15% to \$22.6 million
- Volume increased 10% to 11 million litres
- NPAT increased 72% to \$0.86 million
- Gage Roads proprietary brands grew 35%
- Contract brewing services grew 103%
- Capital expansion program achieves 2.5 million carton annual capacity

FY13 was a successful year for Gage Roads Brewing Co Limited (The Company) and saw continued growth in production volumes and profitability, further diversification of revenue streams and reinforces the strategic direction of the Company in the fast-growing craft beer category.

### Sales

The Company's proprietary craft products performed strongly during the year, delivering a 35% uplift on FY12. Our gold medal and trophy winning *Sleeping Giant IPA* and our *Atomic Pale Ale* were standout contributors. This growth reflects the Company's participation in the growing consumer trend towards craft beers. Our mid-strength *Gage Pils 3.5%* and the 640mL limited release range, which included *Pumpkin Ale*, *Convict* and *Abstinence*, also contributed towards the performance of the portfolio.

Contract brewing production increased by 103% in comparison to FY12. This result was largely driven by strong growth of existing contract customers' products and the launch of new product lines and other line extensions for Woolworths during the year.

The Company is pleased to announce it has recently been awarded the contract for the production of a further high volume product as part of its continuing supply agreement with Woolworths. Production of this existing product is expected to commence in November 2013 and it is nationally distributed throughout Woolworths' retail liquor outlets. Although production growth for Woolworths products slowed in FY13, the award of this new contract is expected to drive growth in FY14. The continued support of Woolworths' exclusive brands strategy is a significant contributor to the Company's volume growth and cost reduction strategies.

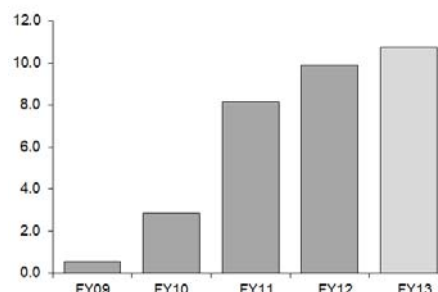
In line with the Company's strategy to become Australia's leading craft contract brewer, the Company also announced exclusive contract brewing agreements with seven new contract customers during the year. The majority of these contracts commenced production in the fourth quarter of FY13 upon the completion of the capacity expansion to 2.5 million cartons per annum. These contracts are expected to contribute towards revenue and earnings growth in FY14.

Draught beer production has continued to become more meaningful to the Company's earnings profile, up 148% in comparison to FY12. FY13 saw increased keg production for the Sail & Anchor craft range distributed to ALH pubs across Australia as well as growth in draught contract brewing for other customers. In the next few months the Company is looking forward to re-introducing its proprietary brands to the Western Australian draught market as part of the overall draught strategy.

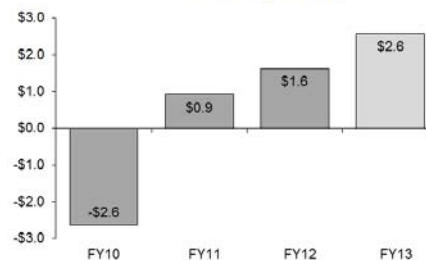
### Financial Results

This year's growth in sales volumes resulted in revenue for FY13 of \$22.6 million, an increase of 15% in comparison with the corresponding full year period (2012: \$19.7 million). The sales mix for the year comprised higher levels of Gage Roads' proprietary products, new contract products and cider products which combined with improved purchasing scale in raw materials and consumables also helped deliver improvements in gross margins over FY12, driving a 58% increase in EBITDA to \$2.6 million (FY12: \$1.6 million), further leveraging our relatively fixed operating cost structure.

Sales Volume (Million Litres)



EBITDA (Millions)



## Capital Expansion Program

During the year the Company substantially completed the capital expansion program delivering an expanded production capacity of 2.5 million cartons in March 2013, marking an important milestone towards achieving annual production capacity of 3 million cartons of beer, cider and other beverages by FY15. The addition of two more 100hL fermentation tanks will see the Company achieve 3 million cartons per annum as and when required.

The capital expansion program was also tasked with improving the overall manufacturing efficiency and profitability of the Company's brewing and packaging operations by 50%. The Company expects cost improvements to be realised during FY14 and FY15 including improved direct raw material utilisation, reductions in variable production costs and reductions in packaging and brewery labour costs per carton.

Elements of the program completed during the year include an upgrade of the bottling line to 300bpm, upgrades to utilities including a new boiler, refrigeration plant and water infrastructure, the addition of four 100hL fermentation tanks, an automated 100hL CombiCube B brewhouse, new filtration system, new centrifuge, new reverse osmosis plant, new CIP (Clean-in Place) system and automation of our new 100hL fermentation cellar. Items that remain outstanding include the installation of the new yeast management system and the final commissioning of the control system for the automated fermentation cellar. The Company's projected cost to complete for this program remains at \$16.8 million as previously announced.

## Capital Raising

During the June quarter the Company completed a 15 cents-per-share placement to institutional investors. Woolworths Limited exercised its right under the subscription agreement to retain its proportional shareholding and the Company provided existing shareholders the opportunity to invest at the same price as offered to the institutional investors and Woolworths via a Shareholder Share Purchase Plan. In total all offers were substantially oversubscribed and the Company issued 54,972,748 ordinary shares raising \$8,151,531. \$4.0 million was applied to repayment of the Company's debt and the balance applied to ongoing working capital and the costs of the raising as indicated. The Company wishes to thank both new and existing shareholders for their participation in these events and their continued support of the Company.

	Capital Raised
Institutional placement and Woolworths Top Up Rights	\$7,482,635
Shareholder Share Purchase Plan and Woolworths Top Up Rights	\$668,896
Less: Capital raising costs	\$(323,030)
	<b>\$7,828,501</b>

	Use of Funds
Part repayment of ANZ facility	\$4,000,000
Working Capital	\$3,828,501
	<b>\$7,828,501</b>

## Outlook

Significant headway was achieved in relation to our 4-Year Growth Plan. FY13 saw increased production capacity to 2.5 million cartons, growth in new contract customers, the launch of a number of new products, growth in Gage Roads' proprietary craft products, increased operating efficiencies and increased earnings.

GRB 4-Year Growth Plan (FY12,13,14,15)	
<b>Production</b>	Triple production capacity to 3 million cartons by FY15
<b>Costs</b>	Reduce operating costs per case by 50% by FY15
<b>Sales</b>	<ul style="list-style-type: none"> <li>• Continue partnering the growth of Woolworths' exclusive brands strategy.</li> <li>• Become Australia's # 1 contract craft brewery.</li> <li>• Increase draught sales.</li> </ul>
<b>Productivity</b>	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 coming months and years the Company expects to deliver on its 4-Year Plan commitments. With production capacity readily upgradable to 3 million cartons per annum the challenge is set to meet this capacity with increased production, operating efficiencies and the delivery of the highest quality craft products to our customers.

We will continue to grow our contract brewing business through the strategic partnership with Woolworths and new contract customers.

FY14 will also see the Company direct resources towards building the value of our proprietary brands. The Company is currently undergoing a comprehensive brand refresh designed to support the continuing growth of its proprietary products. Emphasising our craft credentials, the refresh will include re-design of packaging for existing products and the creation of a number of new craft core range products. The brand refresh is expected to be completed by the end of October with the re-branded products in stores in time for summer.

It is a credit to the team at Gage Roads and a great result for shareholders to achieve a 10% growth in production, 15% growth in revenues and a 72% growth in NPAT during a year of significant capital construction. I wish to acknowledge and thank all of our passionate, enthusiastic and committed people that have worked so hard during the year to deliver on the capital expansion program and achieve these operating results in somewhat challenging conditions.



John Hoedemaker

**Managing Director**

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

Further detailed commentary on the results for the year ended 30 June 2013 is provided in the Chairman's Letter, Review of Operations and Directors' Report sections of the attached Annual Report.

## Compliance statement

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

The accounts have been audited.

The accounts have been subject to review.

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

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

5. The entity has a formally constituted audit committee.

Signed:

*M. Brandenburg*

Company Secretary

Date: 22 August 2013

Name:

Marcel Brandenburg



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**GAGE ROADS BREWING CO LIMITED  
ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

**ABN 22 103 014 320**

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**Gage Roads Brewing Co Limited  
Annual Report  
For the Year Ended 30 June 2013**

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**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](http://www.gageroads.com.au)

**Postal Address**

PO Box 2024  
PALMYRA WA 6961

**Auditor**

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

**Legal Adviser**

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

**Stock Exchange Listing**

ASX Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

ASX Code: GRB

**Share Registry**

Computershare Investor  
Services Pty Limited  
GPO Box D182  
PERTH WA 6840

*Registry Enquiries*

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

**Gage Roads Brewing Co Limited  
Financial Report  
For the Year Ended 30 June 2013**

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**Contents**

Chairman’s Letter .....	4
Review of Operations .....	5
Directors’ Report .....	8
Corporate Governance Statement .....	19
Auditor’s Independence Declaration .....	22
Directors’ Declaration .....	23
Statement of Profit or Loss and Other Comprehensive Income .....	24
Statement of Financial Position .....	25
Statement of Changes in Equity .....	26
Statement of Cash Flows .....	27
Notes to the Financial Statements .....	28
Independent Auditor’s Report .....	50
ASX Additional Information .....	52



**Gage Roads Brewing Co Limited**  
**Chairman's Letter**  
**For the Year Ended 30 June 2013**

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Dear Shareholder,

On behalf of your Board I am pleased to report another successful year for our Company.

The after-tax result of \$0.86 million reflected growth in volume, revenue and margin and was again generated in a difficult operational environment as we continued to move through the capital expansion program, whilst concurrently delivering high-quality craft brewed products.

The capital expansion program is now nearing completion and although we have already witnessed greater efficiency and lower costs, we expect to generate additional improvements and savings as we progress our goal of becoming one of Australia's most profitable contract brewing businesses.

During the year we took the opportunity to capitalise on growing interest in our story by the institutional investment community and completed an \$8.1 million placement (before costs) that materially de-risked our balance sheet by retiring some \$4.0 million in borrowings with the balance contributing to working capital.

Whilst we were keen to offer existing shareholders the opportunity to invest at the same price as the institutional placement via the share purchase plan, ASX listing rules limiting the extent of the overall capital raising meant that we were restricted in the amount we were able to offer those shareholders.

We enter FY14 optimistic about the outlook for our business, with growing demand for contract brewing products from a range of existing and new customers and a belief that we can continue to improve efficiencies and reduce costs as we chase volume and earnings.

In the medium term we are cognisant of the need to continue to generate returns for all shareholders and look forward to being able to foreshadow the payment of a maiden dividend as and when both earnings and lending covenants permit.

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



Ian Olson

**Chairman**

**Gage Roads Brewing Co Limited  
Review of Operations  
For the Year Ended 30 June 2013**

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## Review of Operations

### Highlights

- Revenue increased 15% to \$22.6 million
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### Sales

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Contract brewing production increased by 103% in comparison to FY12. This result was largely driven by strong growth of existing contract customers' products and the launch of new product lines and other line extensions for Woolworths during the year.

The Company is pleased to announce it has recently been awarded the contract for the production of a further high volume product as part of its continuing supply agreement with Woolworths. Production of this existing product is expected to commence in November 2013 and it is nationally distributed throughout Woolworths' retail liquor outlets. Although production growth for Woolworths products slowed in FY13, the award of this new contract is expected to drive growth in FY14. The continued support of Woolworths' exclusive brands strategy is a significant contributor to the Company's volume growth and cost reduction strategies.

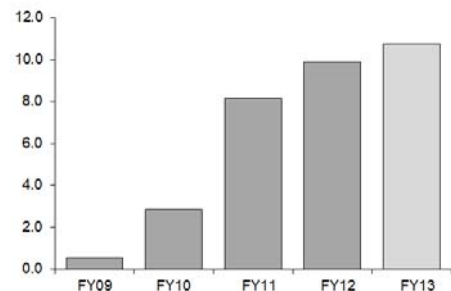
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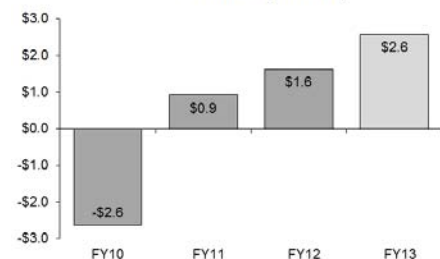
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Sales Volume (Million Litres)



EBITDA (Millions)



**Gage Roads Brewing Co Limited  
Review of Operations  
For the Year Ended 30 June 2013**

million), further leveraging our relatively fixed operating cost structure.

**Capital Expansion Program**

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**Capital Raising**

During the June quarter the Company completed a 15 cents-per-share placement to institutional investors. Woolworths Limited exercised its right under the subscription agreement to retain its proportional shareholding and the Company provided existing shareholders the opportunity to invest at the same price as offered to the institutional investors and Woolworths via a Shareholder Share Purchase Plan. In total all offers were substantially oversubscribed

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Institutional placement and Woolworths Top Up Rights	\$7,482,635
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	Use of Funds
Part repayment of ANZ facility	\$4,000,000
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and the Company issued 54,972,748 ordinary shares raising \$8,151,531. \$4.0 million was applied to repayment of the Company's debt and the balance applied to ongoing working capital and the costs of the raising as indicated. The Company wishes to thank both new and existing shareholders for their participation in these events and their continued support of the Company.

**Outlook**

Significant headway was achieved in relation to our 4-Year Growth Plan. FY13 saw increased production capacity to 2.5 million cartons, growth in new contract customers, the launch of a number of new products, growth in Gage Roads' proprietary craft products, increased operating efficiencies and increased earnings.

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<b>Productivity</b>	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.

**Gage Roads Brewing Co Limited  
Review of Operations  
For the Year Ended 30 June 2013**

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In coming months and years the Company expects to deliver on its 4-Year Plan commitments. With production capacity readily upgradable to 3 million cartons per annum the challenge is set to meet this capacity with increased production, operating efficiencies and the delivery of the highest quality craft products to our customers.

We will continue to grow our contract brewing business through the strategic partnership with Woolworths and new contract customers.

FY14 will also see the Company direct resources towards building the value of our proprietary brands. The Company is currently undergoing a comprehensive brand refresh designed to support the continuing growth of its proprietary products. Emphasising our craft credentials, the refresh will include re-design of packaging for existing products and the creation of a number of new craft core range products. The brand refresh is expected to be completed by the end of October with the re-branded products in stores in time for summer.

It is a credit to the team at Gage Roads and a great result for shareholders to achieve a 10% growth in production, 15% growth in revenues and a 72% growth in NPAT during a year of significant capital construction. I wish to acknowledge and thank all of our passionate, enthusiastic and committed people that have worked so hard during the year to deliver on the capital expansion program and achieve these operating results in somewhat challenging conditions.



John Hoedemaker

**Managing Director**

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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**Directors' Report**

Your Directors present their report on Gage Roads Brewing Co Limited (the Company) for the year ended 30 June 2013.

**Directors**

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

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

**Company Secretaries**

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

John Hoedemaker	(Resigned as Company Secretary 6 June 2013)
Marcel Brandenburg	(Appointed Company Secretary 6 June 2013)

**Principal activities**

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

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

**Dividends**

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

**Review and results of operations**

The profit of the Company for the financial year after providing for income tax amounted to \$862,090 (2012: \$500,730).

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

**Significant changes in the state of affairs**

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

- (a) **Revenue and Volume Growth** - This year saw growth in sales volumes resulting in Revenue for FY13 of \$22.6 million, an increase of 15% in comparison with the corresponding full year period (2012:\$19.7 million). This result was primarily driven by an increase of 35% in Gage Road's proprietary brands and a 103% increase in contract brewing production.
- (b) **Capital Expansion Program** - During the year the Company substantially completed the capital expansion program delivering an expanded production capacity of 2.5 million cartons in March 2013, marking an important milestone towards achieving the Company's goal of achieving annual production capacity of 3 million cartons of beer, cider and other beverages by FY15.

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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The capital expansion program was also tasked with improving the overall manufacturing efficiency and profitability of the Company's brewing and packaging operations by 50%.

**(c) Capital raising** – During the June quarter the Company completed a 15 cents-per-share placement to institutional investors. Woolworths Limited exercised its right under the subscription agreement to retain its proportional shareholding and the Company provided existing shareholders the opportunity to invest at the same price as offered to the institutional investors and Woolworths via a Shareholder Share Purchase Plan. In total all offers were substantially oversubscribed and the Company issued 54,972,748 ordinary shares raising \$8,151,531. \$4.0 million was applied to repayment of the Company's debt and the balance (net of \$323,030 capital raising costs) applied to ongoing working capital. The Company wishes to thank both new and existing shareholders for their participation in these events and their continued support of the Company.

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

No matter or circumstance has arisen since 30 June 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.

**Likely developments and expected results of operations**

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

**Information on Directors**

**Bill Hoedemaker** BCom

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

*Experience and expertise* - Bill is a founding Shareholder and Director of Gage Roads. He has been a professional Brewer for 14 years, of which 4 were as a member of the multi-award winning brewing team at the Sail & Anchor Pub Brewery and the last 10 years as Brewmaster for Gage Roads. Bill is responsible for capital infrastructure including the recent expansion designed to increase the Company's capacity to 3 million cartons by FY15 and improve operating cost efficiencies. Bill also oversees the brewing operations of the Company, including recipe formulation, quality control, product consistency and cost control. Bill has substantial experience in the resources industry and brings strengths in process efficiencies and problem solving as well as an in-depth knowledge of practical brewing.

*Other current public directorships* - None.

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

*Special responsibilities* - Director of Operations and Brewmaster.

*Interest (direct and indirect) in shares and options* – 6,404,669 shares and nil options in the Company.

**Brad Banducci** BCom, LLB, MBA

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

*Experience and expertise* - Brad Banducci was formally CEO of the Cellarmasters Group and joined Woolworths following the acquisition of that business in May 2011. Brad has a distinguished business background in Australia and internationally including 14 years with The Boston Consulting Group where he was a Vice President and Director. He has extensive experience in the beverage industry. Brad was appointed to his current role in the Liquor Group in April 2012 and has responsibility for all Woolworths liquor businesses - BWS, Dan Murphy's, Pinnacle Liquor and the Wine Quarter.

*Other current public directorships* - none

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

**Gage Roads Brewing Co Limited**  
**Directors' Report**  
**For the Year Ended 30 June 2013**

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*Special responsibilities* - None.

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

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

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

*Other current public directorships* - Diploma Group Limited.

*Former directorships in listed companies in last 3 years* – RuralAus Investments Limited (Resigned 26 February 2013)

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

*Interests (direct and indirect) in shares and options* - 1,082,500 shares and nil options in the Company.

**John Hoedemaker** BCom  
(*Managing Director, appointed 17 August 2011, Chief Financial Officer, appointed 3 December 2002, resigned as Company Secretary 6 June 2013*)

*Experience and expertise* - John is a founding Shareholder and Director of Gage Roads. He has played a key role in achieving profitability by developing and implementing the growth and cost reduction strategies for the business. John has an acute understanding of both the Company's operational needs and financial requirements. John is responsible for the strategic planning, leadership and management of the operations of the Company. Prior to his involvement with Gage Roads, John was a Shareholder, General Manager and Chief Financial Officer of a successful building products manufacturing business, Architectural & Structural Adhesives (WA), which he managed from a start-up operation through to a trade sale to a multi-national conglomerate.

*Other current public directorships* - None.

*Former public directorships in last 3 years* - None.

*Special responsibilities* - Chief Financial Officer and Member of the Audit Committee.

*Interest (direct and indirect) in shares and options* – 10,404,669 shares and nil options in the Company.

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

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

*Other current public directorships* - None.

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

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

*Interests (direct and indirect) in shares and options* – 250,000 shares and nil options in the Company.

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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**Steven Greentree** AAICD

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

*Experience and expertise* – During his directorship at Gage Roads Brewing Co Ltd, Steven Greentree was the General Manager of Woolworths' liquor group. Steven has since been appointed to Chief Operating Officer for Woolworths' Australian Supermarkets and Petrol Division. Steven had responsibility for all Woolworths retail liquor brands (BWS, Dan Murphy's, Woolworths Liquor), Cellarmasters, Dorrien Winemaking and Vinpac bottling. Steven's extensive career with Woolworths has included prior roles such as General Manager of Woolworths Private Label and Quality Assurance for Australia and New Zealand, General Manager of Marketing for Australian Supermarkets, Operations Manager and Regional Manager for South Australia and the Northern Territory. Steven is a Director of Australian Leisure and Hospitality Group (ALH) Pty Ltd and a member of the Woolworths Management Board.

*Other current public directorships* - None.

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

*Special responsibilities* - None.

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

**Information on Company Secretary**

**Marcel Brandenburg** CA, MAcc, BCom

*(Company Secretary, appointed 6 June 2013)*

*Experience and expertise* - Marcel has been with the Company since October 2011 in the capacity of Financial Controller and is responsible for the areas of financial accounting, governance and administration aspects of the business. He has extensive experience in dealing with ASX-listed companies, having spent a significant part of his career auditing publicly listed entities. As a Chartered Accountant he has an excellent understanding of financial markets, market compliance and regulations. Marcel has also previously held company secretarial roles in a number of unlisted companies.

*Other current public directorships* - None.

*Former public directorships in last 3 years* - None.

*Special responsibilities* – Financial Controller.

*Interest (direct and indirect) in shares and options* – 300,000 shares and nil options in the Company.



**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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**Meetings of Directors**

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2013, and the number of meetings attended by each Director, were as follows:

<b>Directors</b>	<b>Full Meeting of Directors</b>		<b>Meetings of Audit Committee</b>		<b>Meetings of Remuneration Committee</b>	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Ian Olson (Non-Executive)	10	10	2	2	1	1
Robert Gould (Non-Executive)	10	8	2	1	1	1
Brad Banducci (Non-Executive)	10	9	n/a	n/a	n/a	n/a
Bill Hoedemaker (Executive)	10	10	n/a	n/a	n/a	n/a
John Hoedemaker (Executive)	10	10	2	2	n/a	n/a

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

B = number of meetings attended.

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

**Total shares under options**

There were no unissued ordinary shares under option at the date of this report (2012: Nil).

**Shares issued on the exercise of options**

There were no shares issued on the exercise of options during the year ended 30 June 2013 (2012: Nil).

**Options granted to Directors**

No options over unissued ordinary shares were granted to Directors during the year ended 30 June 2013 (2012: Nil).

**Options granted to Key Management Executives and other employees**

No options over unissued ordinary shares were granted to Key Management Executives or other employees during the year ended 30 June 2013 (2012: Nil).

**Options cancelled, forfeited or lapsed**

No options were voluntarily forfeited or cancelled during the year ended 30 June 2013 (2012: Nil).

**Shares issued to Directors**

No shares were issued to Directors during the year ended 30 June 2013 (2012: 16,000,000).

**Shares issued to Employees**

No shares were issued to Employees during the year ended 30 June 2013 (2012: 11,200,000).

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2013**

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**Audited Remuneration Report**

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

***Principles used to determine the nature and amount of remuneration***

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

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

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

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

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

- (a) *salary* - the Key Management Executives and Executive Directors receive a fixed sum payable monthly in cash;
- (b) *cash at risk component* - Key Management Executives and Executive Directors are eligible to participate in a cash bonus plan if deemed appropriate;
- (c) *share and option at risk component* - Key Management Executives and Executive Directors may participate in share and option schemes generally being made in accordance with thresholds set in plans approved by Shareholders if deemed appropriate. The Board, however, considers it appropriate to retain the flexibility to issue shares and options to Key Management Executives and Executive Directors outside of an approved option scheme in exceptional circumstances; and
- (d) *other benefits* - Key Management Executives and Executive Directors are eligible to participate in superannuation schemes, be entitled to have loss of income insurance paid by the Company, be provided a fully expensed Company car or Company car allowance and be provided a fully expensed mobile phone and other forms of remuneration if deemed appropriate.

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

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

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

- (a) To align the interests of senior management with Shareholders. The Employee and Executive Share Plan provides employees with incentive to strive for long term profitability which is in line with Shareholder objectives; and

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2013**

(b) To provide an incentive for employees to extend their employment terms with the Company. The experience of senior employees is an important factor in the long term success of the Company.

**Details of remuneration**

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

*Executive Directors*

Bill Hoedemaker	Director of Operations and Brewmaster
John Hoedemaker	Managing Director and Chief Financial Officer – Resigned as Company Secretary 6 June 2013

*Non-Executive Directors*

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

*Executive Officers*

Aaron Heary	General Manager - Operations
Marcel Brandenburg	Financial Controller and Company Secretary – Appointed 6 June 2013

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

**2013 Remuneration - Key Management Personnel**

Name	Short term benefits			Post employment benefits	Termination benefits	Share based benefits	Total
	Cash salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Shares \$	
<i>Non-Executive Directors</i>							
Brad Banducci	-	-	1,405	-	-	-	1,405
Ian Olson	75,000	-	1,405	-	-	-	76,405
Robert Gould	50,000	-	1,405	-	-	-	51,405
Steven Greentree	-	-	-	-	-	-	-
<i>Sub-total Non-Exec Directors</i>	<i>125,000</i>	<i>-</i>	<i>4,215</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>129,215</i>
<i>Executive Key Management</i>							
Aaron Heary	170,000	-	28,265	15,300	-	86,643	300,208
Bill Hoedemaker	212,051	-	20,564	17,848	-	64,982	315,445
John Hoedemaker (MD)	220,000	-	9,115	19,800	-	108,304	357,219
Marcel Brandenburg	122,000	-	7,750	10,980	-	1,670	142,400
<i>Sub-total Executive</i>	<i>724,051</i>	<i>-</i>	<i>65,694</i>	<i>63,928</i>	<i>-</i>	<i>261,599</i>	<i>1,115,272</i>
<b>Totals</b>	<b>849,051</b>	<b>-</b>	<b>69,909</b>	<b>63,928</b>	<b>-</b>	<b>261,599</b>	<b>1,244,487</b>

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2013**

**2012 Remuneration - Key Management Personnel**

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

**Service agreements**

Remuneration and other terms of employment for the following Key Management Personnel are formalised in employment agreements. The significant terms of employment at the date of this report are set out below:

*Aaron Heary – General Manager, Operations*

- Term of agreement: No fixed term.
- Base salary: \$170,000 pa, plus 9% statutory superannuation contribution
- Termination notice period: 1 month notice (without cause).
- Termination notice period: 1 month notice (with cause)

*Bill Hoedemaker - Director of Operations - Brewmaster*

- Term of agreement: No fixed term.
- Base salary: \$190,000 pa, plus 9% statutory superannuation contribution, reviewed annually by the Remuneration Committee.
- Termination notice period: 8 month notice (without cause)
- Termination notice period: 4 month notice (with cause)

*John Hoedemaker – MD and CFO*

- Term of agreement: No fixed term.
- Base salary: \$220,000 pa, plus 9% statutory superannuation contribution, reviewed annually by the Remuneration Committee.
- Termination notice period: 8 month notice (without cause).
- Termination notice period: 4 month notice (with cause)

*Marcel Brandenburg– Financial Controller and Company Secretary*

- Term of agreement: No fixed term.
- Base salary: \$140,000 pa, plus 9% statutory superannuation contribution
- Termination notice period: 1 month notice (without cause).
- Termination notice period: 1 month notice (with cause)

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

**Gage Roads Brewing Co Limited  
Remuneration Report  
For the Year Ended 30 June 2013**

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***Share-based compensation***

*Shares issued to key management personnel*

No shares were granted to Key Management Personnel during the year ended 30 June 2013 (2012: 24,000,000).

*Options granted to Key Management Personnel*

No options over unissued ordinary shares were granted to Key Management Personnel during the year ended 30 June 2013 (2012: Nil).

There were no options over unissued ordinary shares granted to Key Management Personnel in existence at the date of this report (2012: Nil). Details of the options forfeited and cancelled by Key Management Personnel during the year can be found at Note 18 to the Financial Statements.

*Shares issued to Key Management Personnel on the exercise of options*

No ordinary shares were issued during the financial year on the exercise of options granted to Key Management Personnel (2012: Nil).

All options were valued using the Black Scholes pricing model, convert into one ordinary share and carry no dividend or voting rights. Further details of the option valuations and model inputs can be found at Note 18 to the Financial Statements.

No cash bonuses were paid to or forfeited by any Directors or Key Management Personnel during the year ended 30 June 2013 (2012: Nil).

***Use of remuneration consultants***

The Company did not use the services of any remuneration consultants during the year-ended 30 June 2013.

***Voting and comments made at the Company's 2012 Annual General Meeting***

Gage Roads Brewing Co Ltd received more than 99.16% of "Yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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**Loans to Directors and Executives**

The Company has not made any loans to Directors or Executives other than the non-recourse loans as disclosed in Note 19 during the financial year to 30 June 2013 and has no carried forward loans from prior years.

**Environmental regulation**

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

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2012 to 30 June 2013 the Directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future.

**Insurance of officers**

During the financial year the Company paid a premium of \$7,025 to insure the Directors and Officers of the Company.

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

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

**Auditor**

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

**Auditor's independence declaration**

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

**Non-Audit services**

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

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

*Assurance services*

BDO Audit (WA) Pty Ltd: Audit and review of financial reports and other audit work under the *Corporations Act 2001* \$51,225 (2012: \$52,062 ).

**Gage Roads Brewing Co Limited  
Directors' Report  
For the Year Ended 30 June 2013**

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*Non-audit services*

BDO Corporate and International Tax Pty Ltd: Services in relation to taxation advice \$0 (2012: \$6,455).

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

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



Ian Olson  
**Chairman**

Palmyra

Dated this 22<sup>nd</sup> day of August 2013

## **Corporate Governance Statement**

In accordance with ASX Listing Rule 4.10.3 this Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles and Recommendations 2<sup>nd</sup> Edition (including 2010 Amendments) (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company is required to provide a statement in this and future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

### *Share Trading*

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

### *Corporate Governance Policy*

The Board of the Company has in place a corporate governance policy which is posted in the Company Information section of the Company's website at [www.gageroads.com.au](http://www.gageroads.com.au).

## **BEST PRACTICE RECOMMENDATIONS**

### **1 Lay solid foundations for management and oversight**

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

### **2 Structure the Board to add value**

- 2.1 *A majority of the Board should be independent Directors.* Whilst less than half of the current Board are independent Directors (which is not in accordance with the Best Practice Recommendations) the Directors are of the view that the Board is structured in such a way so as to add value and that the number of Directors is appropriate for the size and complexity of the business. A majority of the Board are Non Executive Directors.
- 2.2 *The chair should be an independent Director.* The Chairman, Ian Olson, is considered an independent Chairman as he satisfies the principles of the test for independence as set out in the ASX principles.
- 2.3 *The roles of chair and Chief Executive Officer should not be exercised by the same individual.* The Chief Executive Officer and Chairperson are different people.
- 2.4 *The Board should establish a nomination committee.* It is not Company policy to have a nomination committee given the size and scope of Gage Roads Brewing Co Ltd. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Company's external professional advisors.
- 2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.* The Company's Corporate Governance Policy includes Performance Evaluation Practices, which discloses the specific practices of the Board in evaluating its performance. The Board has not met during the year to specifically evaluate the performance of Board members.

### **3 Promote ethical and responsible decision-making**

- 3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*
  - (a) *the practices necessary to maintain confidence in the Company's integrity,*



**Gage Roads Brewing Co Limited  
Corporate Governance Statement  
For the Year Ended 30 June 2013**

- (b) *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- (b) *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

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

- 3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and the progress in achieving them.* The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company is yet to develop a formal diversity policy which outlines the Company's diversity objectives in relation to gender, age, religion, cultural background and ethnicity, however, the Company's existing employment policies prohibits discrimination on the basis of gender. As the Company grows, the Board will continue to consider the need for a formal diversity policy.
- 3.3 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.* The Board believes in the value of diversity but does not believe that given the size of the Company and the resources available to it, that formalising measurable objectives for achieving gender diversity are appropriate. As per the response to recommendation 3.2, the Board is yet to develop a formal diversity policy. As the Company grows, the Board will continue to consider the need for a formal diversity policy including formalising measurable objectives for achieving gender diversity.
- 3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.*

	Number of Women Employees	Proportion
Board of Directors	0	0%
Senior Management	2	18%
Employees	5	11%

**4 Safeguard integrity in financial reporting**

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

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

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

The Audit Committee consists of two independent and Non-Executive Directors Ian Olson and Robert Gould (Chairman of the Audit Committee) and one Executive Director John Hoedemaker. The Audit Committee Chairman is independent and is not the chairperson of the Board. It has three members.

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

**5 Make timely and balanced disclosure**

- 5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies..* The Company has a continuous disclosure policy in place designed to ensure the factual presentation of the Company's financial position.

**6 Respect the rights of Shareholders**

- 6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.* The Company's Corporate Governance Policy includes a Shareholder communications policy which aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through continuous disclosure to the ASX, the annual report, half year financial report, quarterly reports, notices of meetings, the annual general meeting and periodic updates, all of which are posted on the Company's website at [www.gageroads.com.au](http://www.gageroads.com.au).

**7 Recognise and manage risk**

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

**8 Remunerate fairly and responsibly**

- 8.1 *The Board should establish a Remuneration Committee.* The Company's Remuneration Committee comprises two independent Non-Executive Directors Ian Olson and Robert Gould.
- 8.2 *The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.* Whilst having two members is not in accordance with the Best Practice Recommendations, the Company is of the view that the Remuneration Committee is of sufficient size and independence to discharge its mandate effectively and the experience and professionalism of the persons on the committee is sufficient to ensure that all significant matters are addressed and actioned.
- 8.3 *Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.* During the financial year ending 30 June 2013 Non-Executive Director and Chairman Ian Olson was paid a set fee of \$75,000 per annum and Non-Executive Director Robert Gould paid a set fee of \$50,000 per annum. The Company's Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$150,000 per annum. Further information of Executive and Non-Executive remuneration can be found in the section headed "Remuneration Report" in the Directors' Report.

22 August 2013

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

Dear Sirs,

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

As lead auditor of Gage Roads Brewing Co Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



Peter Toll  
Director

BDO Audit (WA) Pty Ltd  
Perth, Western Australia

**Gage Roads Brewing Co Limited  
Directors' Declaration  
As at 30 June 2013**

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The directors of the company declare that:

- (a) the financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements, and;
  - (i) comply with Accounting Standards and the *Corporations Regulations 2001* ; and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The Company has included in the notes to the financial statements an explicit and unreserved Statement of Compliance with International Financial Reporting Standards.
- (d) The Directors have been given the declarations by the Managing Director and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Chairman**

Palmyra

Dated this 22nd day of August 2013

**Gage Roads Brewing Co Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2013**

	Notes	2013 \$	2012 \$
<b>Revenue from continuing operations</b>			
Sales revenue		22,631,742	19,695,622
Interest revenue		8,554	8,136
	3	<u>22,640,296</u>	<u>19,703,758</u>
Other income		17,270	104,899
Raw materials, consumables & delivery		(11,244,451)	(10,288,874)
Operating expenses		(3,456,833)	(2,751,466)
Employee benefit expenses		(4,001,662)	(3,873,689)
Depreciation and amortisation expenses	4	(696,229)	(439,672)
Impairment Charges	4	(203,839)	(138,122)
Sales and marketing expenses		(238,285)	(221,289)
Administration expenses		(661,489)	(634,810)
Occupancy expenses		(272,859)	(267,706)
Finance costs	4	(524,357)	(360,621)
<b>Profit before income tax</b>		<u>1,357,562</u>	<u>832,408</u>
Income tax expense	5	(495,472)	(331,678)
<b>Profit for the year</b>		<u>862,090</u>	<u>500,730</u>
<b>Total comprehensive income for the year</b>		<u>862,090</u>	<u>500,730</u>
<b>Profit and other comprehensive income attributable to the members of Gage Roads Brewing Co Ltd</b>		<u>862,090</u>	<u>500,730</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents)	17	0.25	0.15
Diluted earnings 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 Limited**  
**Statement of Financial Position**  
**As at 30 June 2013**

	Notes	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	5,173,283	1,580,241
Trade and other receivables	7	2,345,867	1,564,516
Inventories	8	1,754,428	1,075,439
Total current assets		<u>9,273,578</u>	<u>4,220,196</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	20,944,352	14,040,296
Deferred tax assets	5	2,795,508	3,290,980
Intangible assets	10	94,971	9,841
Total non-current assets		<u>23,834,831</u>	<u>17,341,117</u>
<b>Total assets</b>		<u>33,108,409</u>	<u>21,561,314</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	11,274,682	4,739,218
Borrowings	11	48,297	28,660
Total current liabilities		<u>11,322,979</u>	<u>4,767,878</u>
<b>Non-current liabilities</b>			
Provisions	12	130,500	107,899
Borrowings	13	5,612,564	9,611,543
Total non-current liabilities		<u>5,743,064</u>	<u>9,719,442</u>
<b>Total liabilities</b>		<u>17,066,043</u>	<u>14,487,320</u>
<b>Net assets</b>		<u>16,042,366</u>	<u>7,073,994</u>
<b>EQUITY</b>			
Contributed equity	14	25,091,405	17,262,904
Share options reserve	15	888,612	610,831
Accumulated losses	15	(9,937,651)	(10,799,741)
<b>Total equity</b>		<u>16,042,366</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 Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2013**

	Notes	Contributed equity \$	Accumulated losses \$	Share Option reserve \$	Total equity \$
<b>Balance at 1 July 2011</b>		16,674,448	(11,300,471)	349,028	5,723,005
<b>Total comprehensive income for the year</b>		-	500,730	-	500,730
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital, net of transaction costs	14	588,456	-	-	588,456
Employee share plan shares expensed	15	-	-	261,803	261,803
<b>Balance at 30 June 2012</b>		<b>17,262,904</b>	<b>(10,799,741)</b>	<b>610,831</b>	<b>7,073,994</b>
<b>Total comprehensive income for the year</b>		-	862,090	-	862,090
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Issue of share capital, net of transaction costs	14	7,828,501	-	-	7,828,501
Employee and other share options expensed	15	-	-	277,781	277,781
<b>Balance at 30 June 2013</b>		<b>25,091,405</b>	<b>(9,937,651)</b>	<b>888,612</b>	<b>16,042,366</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Gage Roads Brewing Co Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2013**

	Notes	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		37,754,328	34,787,088
Payments to suppliers and employees (inclusive of GST)		<u>(31,510,170)</u>	<u>(34,259,315)</u>
		6,244,158	527,773
Interest received		8,554	8,136
Interest paid		<u>(524,357)</u>	<u>(360,622)</u>
<b>Net cash inflow / (outflow) from operating activities</b>	16	<u>5,728,355</u>	<u>175,287</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(5,984,472)</u>	<u>(6,662,192)</u>
<b>Net cash outflow from investing activities</b>		<u>(5,984,472)</u>	<u>(6,662,192)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities (gross)		8,151,531	588,456
Equity raising transaction costs		<u>(323,030)</u>	-
Proceeds from borrowings		146,910	6,103,526
Repayment of borrowings		<u>(4,126,253)</u>	<u>(709,496)</u>
<b>Net cash inflow / (outflow) from financing activities</b>		<u>3,849,158</u>	<u>5,982,486</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,593,042</b>	<b>(504,419)</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,580,241</u>	<u>2,084,661</u>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>5,173,283</u>	<u>1,580,241</u>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*



**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

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

*Compliance with IFRS*

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

*Historical cost convention*

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

*Critical Accounting Estimates and Significant Judgements*

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

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.

**(b) Segment reporting**

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

**(c) Revenue recognition**

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

*(i) Sale of goods*

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

*(ii) Interest income*

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

**(d) Income tax**

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(d) Income tax (Continued)**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

**(e) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**(f) Impairment of assets**

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

**(g) Cash and cash equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

**(h) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments, are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the profit and loss.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(i) Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials for work-in-progress and finished goods. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Financial assets**

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

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

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

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

**(k) Fair value estimation**

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

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

**(l) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred. Depreciation is calculated using both the straight line and reducing balance methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

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

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

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

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(m) Intangible assets**

*Trademarks*

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

*Product Development*

Product Development costs are carried at cost less amortisation. Amortisation is calculated on a straight-line basis over the assets estimated useful life of 2 years.

Costs incurred in developing products will contribute to future period revenue generation. Costs capitalised include external direct costs of materials and services.

**(n) Trade and other payables**

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

**(o) Borrowings**

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

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

**(p) Borrowing costs**

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

**(q) Employee benefits**

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

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

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service.

*(iii) Share-based payments*

The fair value of options at grant date is determined using a Black-Scholes or Binomial option pricing model that takes into account the exercise price, term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(r) Contributed equity**

Ordinary shares are classified as equity.

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

**(s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

**(t) Foreign currency**

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

**(u) Earnings per share**

*Basic earnings per share*

This is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**(v) Excise Tax**

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

**(w) Provisions**

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

**(x) New accounting standards and interpretations published but not mandatory for 30 June 2013**

*AASB 9: Financial Instruments (Periods beginning on or after 1 January 2015)*

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

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**As at 30 June 2013**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**(x) New accounting standards and interpretations published but not mandatory for 30 June 2013  
(Continued)**

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

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

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

Main changes include:

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

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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**Note 2 : Financial Risk Management**

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The Company's activities expose it to a variety of financial risks, market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the management team under policies approved by the Board of Directors. Details of policies for each risk are detailed below.

**Fair Value Measurement**

The Carrying Value and Fair Value of financial assets and financial liabilities, both recognised and unrecognised at reporting date, are as follows:

	2013 \$	2013 \$	2012 \$	2012 \$
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>				
Cash and cash equivalents	5,173,283	5,173,283	1,580,241	1,580,241
Trade and other receivables	2,345,868	2,345,867	1,564,517	1,564,517
	7,519,150	7,519,150	3,144,758	3,144,758
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	11,274,682	11,274,682	4,739,218	4,739,218
Borrowings	5,660,861	5,660,861	9,640,203	9,640,203
	16,935,543	16,935,543	14,379,421	14,379,421

**(a) Market risk**

(i) *Foreign exchange risk*

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

(ii) *Price risk*

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

(iii) *Cash flow interest rate risk*

Refer to (d) over page.

**(b) Credit risk**

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

Credit risk also arises in relation to trade receivables. The Company only has a credit risk concentration in trade receivables with respect to national wholesalers and Woolworths Ltd, through their purchasing of large quantities of goods. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Refer to Note 7 for the Company's assessment of past due trade receivables.

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

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities or Shareholder support. The Company has a committed credit facility of \$5.7 million with the ANZ Banking Group which is drawn to \$5.611 million at year-end. Furthermore, the Company has a \$1m overdraft facility with ANZ which is undrawn at 30 June 2013. The Company has relied on equity raising and prudent management to manage this risk.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

**Note 2 : Financial Risk Management (continued)**

2013	< 1 year	1 - 2 years	2 - 5 years	Total	
				Cash flows	Carrying Value
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

2012	< 1 year	1 - 2 years	2 - 5 years	Total	
				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	-	10,764,843	9,640,203
Total Payable	7,121,154	12,163,092	-	19,284,245	18,159,605

**(d) Cash flow interest rate risk**

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

As at 30 June 2013, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$24,539 higher/lower (2012: \$17,960 higher/lower) from interest income on cash and cash equivalents, based upon the average cash on hand balance of \$2,453,854. (2012: \$1,796,098)

All of the Company's long term borrowings are at a fixed interest rate and as such there is no risk to the Company's interest payments and operational cash flows arising from those liabilities.

As at 30 June 2013, if interest rates had changed by 100 basis points (based on indicative forward cash rates) from the year-end rates and all other variables held constant, the profit for the year would have been \$89,450 higher/lower (2012: \$77,243) from interest expense on borrowings, based upon the average loan balance of \$8,945,457 (2012: \$7,724,362).

**Note 3 : Revenue**

	2013 \$	2012 \$
<i>Revenue</i>		
Sale of goods	33,590,903	30,642,376
Less: Excise tax collected	(10,959,161)	(10,946,753)
Interest	8,554	8,136
	<u>22,640,296</u>	<u>19,703,758</u>
<i>Other revenue</i>		
Sundry sales	17,270	104,899
	<u>17,270</u>	<u>104,899</u>

**Note 4 : Expenses**

	2013 \$	2012 \$
<b>Profit (loss) before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	646,887	403,889
Office equipment	22,599	26,379
Motor vehicles	7,472	9,026
Amortisation of intangible assets	19,272	378
Total depreciation	<u>696,229</u>	<u>439,672</u>



**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

**Note 4 : Expenses (continued)**

<i>Impairment</i>		
Impairment in relation to obsolete equipment	203,839	138,122
Impairment Charges	203,839	138,122
<i>Bad Debt Expense</i>		
Bad debts written off	318	4,135
Bad Debts Expensed	318	4,135
<i>Finance costs</i>		
Interest and finance charges paid/payable	524,357	594,786
Amount capitalised	-	( 234,164)
Finance costs expensed	524,357	360,621
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	272,859	267,706
Total rental expense relating to operating leases	272,859	267,706
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	261,756	277,174
Total defined contribution superannuation expense	261,756	277,174
Share-based payments expense (Note 18 b)		
Non-recourse loan-funded shares	277,781	261,803
Total share-based payments expense	277,781	261,803

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

	2013	2012
	\$	\$
<b>(a) Income tax expense / (benefit)</b>		
Current tax	-	-
Deferred tax - origination of temporary differences	495,472	331,678
	495,472	331,678
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit (loss) before income tax expense	1,357,562	832,408
Tax at the Australian tax rate of 30% (2011 - 30%)	407,269	249,723
Tax effect of amounts which are not deductible (taxable) in		
Share-based payments	83,334	78,541
Fines and entertaining	4,869	3,415
	495,472	331,678
R & D tax offset refund	-	-
Income tax expense / (benefit)	495,472	331,678

**(c) Unrecognised tax losses**

Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-

Deferred tax assets and liabilities were not brought to account in 2009 after considering the level of tax losses carried forward and available to the Company against future taxable profits and the probability within the immediate future that taxable profits will be available against which the benefit of the deductible temporary differences can be claimed.

**(c) Recognised tax losses**

Unused tax losses for which a deferred tax asset has been recognised	9,318,356	10,969,930
Deferred tax asset @ 30%	2,795,508	3,290,980

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

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**Movement in Deferred tax asset**

Recognition of deferred tax asset - prior year losses	-	-
- current year (profit) loss	<u>( 495,472)</u>	<u>( 331,678)</u>
	<u>( 495,472)</u>	<u>( 331,678)</u>

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

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

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	2013 \$	2012 \$
Cash at bank and in hand	<u>5,173,283</u>	<u>1,580,241</u>
	<u>5,173,283</u>	<u>1,580,241</u>

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

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

**(b) Cash at bank and on hand**

The cash at bank and in hand balances above bear interest rates of between 0% and 1%.

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

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	2013 \$	2012 \$
Trade receivables	2,282,051	1,529,759
Other receivables	<u>63,816</u>	<u>34,757</u>
	<u>2,345,867</u>	<u>1,564,516</u>

**(a) Impaired trade receivables**

Impaired trade receivables that are known to be uncollectable during the year ended 30 June 2013 have been written off. The Company is unaware of any doubtful trade receivables and has not made any allowance for any doubtful trade receivables as of 30 June 2013. Bad trade receivables which have been expensed during 2013 to bad debts expense are amounts past due which were uncollectable from debtors who did not settle their obligations. Please see note 4 Bad Debt Expense for receivables written off during the year.

**(b) Interest rate risk**

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

**(c) Past due but not impaired**

As of 30 June 2013 trade receivables of \$1,021,061 (2012 - \$1,326,948) were past due but not impaired. These relate to a number of unrelated customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 \$	2012 \$
Up to 3 months	1,003,209	1,245,766
3 to 6 months	<u>17,852</u>	<u>81,182</u>
	<u>1,021,061</u>	<u>1,326,948</u>

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

**Note 7 : Current assets - Trade and other receivables (continued)**

**(d) Fair value and credit risk**

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

**Note 8 : Current assets - Inventories**

	2013 \$	2012 \$
Raw material and stores - at cost	1,270,931	712,812
Work-in-progress - at cost	140,674	74,567
Finished goods - at cost	342,823	288,060
	<u>1,754,428</u>	<u>1,075,439</u>

**Inventory expense**

Inventories recognised as an expense (cost of goods sold) during the year ended 30 June 2013 amounted to \$11,244,451 (2012: \$10,288,874). Inventories written off during the year as new product development costs, obsolete stock and operational waste amounted to \$93,657 (2012: \$42,389).

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

	Plant and equipment	Office equipment	Motor vehicles	Total
<b>Year ended 30 June 2012</b>				
Opening net book amount	7,387,638	63,111	53,800	7,504,549
Additions	7,097,353	15,811	-	7,113,164
Depreciation charge	(403,889)	(26,379)	(9,026)	(439,295)
Impairment Charge on obsolete equipment	(138,122)	-	-	(138,122)
Disposals	-	-	-	-
Closing net book amount	<u>13,942,980</u>	<u>52,543</u>	<u>44,773</u>	<u>14,040,296</u>
<b>At 30 June 2012</b>				
Cost or fair value	15,557,885	192,128	202,387	15,952,400
Accumulated depreciation	(1,614,905)	(139,585)	(157,614)	(1,912,104)
Net book amount	<u>13,942,980</u>	<u>52,543</u>	<u>44,773</u>	<u>14,040,296</u>
<b>Year ended 30 June 2013</b>				
Opening net book amount	13,942,980	52,543	44,773	14,040,296
Additions	7,772,332	19,472	-	7,791,804
Depreciation charge	(646,887)	(22,599)	(7,472)	(676,958)
Impairment Charge on obsolete equipment	(203,839)	-	-	(203,839)
Disposals	(6,951)	-	-	(6,951)
Closing net book amount	<u>20,857,635</u>	<u>49,416</u>	<u>37,302</u>	<u>20,944,352</u>
<b>At 30 June 2013</b>				
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	<u>20,857,635</u>	<u>49,416</u>	<u>37,302</u>	<u>20,944,352</u>

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

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**(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.

	2013	2012
	\$	\$
Plant and equipment	<b>329,549</b>	2,352,651

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

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

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

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	\$
<b>Year ended 30 June 2012</b>	
Opening net book amount	3,769
Additions	6,450
Amortisation	(378)
Closing net book amount	9,841

<b>Year ended 30 June 2012</b>	
Opening net book amount	3,769
Closing net book amount	9,841

<b>Year ended 30 June 2013</b>	
Opening net book amount	9,841
Additions	104,402
Amortisation	(19,272)
Closing net book amount	94,971

<b>Year ended 30 June 2013</b>	
Opening net book amount	9,841
Closing net book amount	94,971

**Trademarks**

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

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

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**Trade and other payables**

	2013	2012
	\$	\$
Trade payables	<b>6,944,112</b>	3,310,835
Payables for capital purchases	<b>2,553,628</b>	648,845
GST payable	<b>302,364</b>	83,443
Other payables (a)	<b>1,474,578</b>	696,095
	<b>11,274,682</b>	4,739,218

**(a) Amounts not expected to be settled within one year**

Other payables include accruals for annual leave. The entire obligation is expressed as Current as the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The estimated leave that is not expected to be taken in the next twelve months is \$50,000 (2012: \$50,000).

**(b) Risk exposure**

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

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**Borrowings**

	2013	2012
	\$	\$
<b>Unsecured</b>		
Insurance premium funding	48,297	28,660
Total current borrowings	48,297	28,660

**(a) Risk exposure**

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

**(b) Fair value disclosures**

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

**(c) Security**

Details of the security relating to each of the secured liabilities are set out in note 13.

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

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	2013	2012
	\$	\$
Provision for long service leave	130,500	107,899
	130,500	107,899

---

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

---

	2013	2012
	\$	\$
<b>Unsecured</b>		
Total unsecured non-current borrowings	-	-
<b>Secured</b>		
Bank loans (a)	5,612,564	9,611,543
Total secured non-current borrowings	5,612,564	9,611,543
Total non-current borrowings	5,612,564	9,611,543

**(a) Bank Loan**

This loan with the ANZ Banking Group is secured by a fixed and floating charge over the assets of the Company, and guaranteed by Woolworths Limited. Repayment is due on 1 October 2014 unless an extension is granted prior to that date. The interest rate on the loan is 5.97%

**(b) Risk exposure**

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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**Note 13 : Non-current liabilities - Borrowings (continued)**

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**(c) Assets pledged as security**

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

	2013 \$	2012 \$
<i>Fixed &amp; Floating charges</i>		
Plant and equipment	20,907,051	13,995,523
Motor vehicles	37,301	44,773
<i>Total Fixed &amp; Floating charges</i>	20,944,352	14,040,296
Total assets pledged as security	20,944,352	14,040,296

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**Note 14 : Contributed equity**

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	2013 Shares	2012 Shares	2013 \$	2012 \$
<b>(a) Share Capital</b>				
Ordinary shares				
Fully paid	396,132,293	341,159,545	25,091,405	17,262,904
	396,132,293	341,159,545	25,091,405	17,262,904
<b>(b) Movement in contributed equity:</b>				
<b>1 July (opening balance)</b>	341,159,545	305,043,545	17,262,904	16,674,448
<i>Issues of shares during the year</i>				
Ordinary shares issued to employees	-	27,200,000	-	-
8,916,000 shares issued to Woolworths	-	8,916,000	-	588,456
Limited in relation to Top-Up Rights				
36,950,000 shares issued as part of	36,950,000	-	5,542,500	-
placement to institutional investors				
Shareholder Purchase Plan	3,333,333	-	500,000	-
14,689,415 shares issued to Woolworths	14,689,415	-	2,109,031	-
Limited in relation to Top-Up Rights				
Capital raising costs	-	-	(323,030)	-
<b>30 June (closing balance)</b>	396,132,293	341,159,545	25,091,405	17,262,904

At 30 June 2013 there were 396,132,293 ordinary shares on issue.

**Ordinary shares**

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

**Capital risk management**

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

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

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**Note 15 : Reserves and accumulated losses**

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	2013 \$	2012 \$
<b>(a) Share options reserve</b>		
Movements in share options reserve were as follows:		
Balance 1 July	610,831	349,028
Options expensed	277,781	261,803
Balance 30 June	888,612	610,831

The share options reserve is used to recognise the fair value of options issued but not exercised.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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**Note 15 : Reserves and accumulated losses (continued)**

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	2013	2012
	\$	\$
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance 1 July	(10,799,741)	(11,300,471)
Net profit (loss) for the year	862,090	500,730
Balance 30 June	(9,937,651)	(10,799,741)

---

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

---

	2013	2012
	\$	\$
Profit for the year	862,090	500,730
Depreciation, amortisation & impairment	900,068	577,794
Employee share issue expense	277,781	261,803
(Increase) decrease in Future Tax Benefit	495,472	331,678
Changes in operating assets and liabilities		
(Increase) decrease in trade debtors	(752,292)	(906,258)
(Increase) decrease in other debtors	(29,059)	22,433
(Increase) decrease in inventories	(678,989)	(186,795)
Increase (decrease) in trade creditors	3,633,277	290,534
Increase (decrease) in other operating liabilities	997,405	(731,733)
Increase (decrease) in other provisions	22,602	15,099
Net cash inflow from operating activities	5,728,355	175,285

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**Note 17 : Earnings Per Share**

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	2013	2012
Basic earnings per share ("EPS") (cents)	0.25	0.15
Diluted earnings per share (cents)	0.25	0.15
<b>(a) Basic earnings per share</b>	<b>\$</b>	<b>\$</b>
Profit (loss) used in calculating basic EPS	862,090	500,730
Weighted average number of ordinary shares used in calculating basic EPS	348,787,229	333,316,427

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

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

**(b) Diluted earnings per share**

The diluted profit (loss) per share is the same as the basic profit (loss) per share as the Company's potential ordinary shares are not likely to be diluted as there are no currently issued options at 30 June 2013.

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**Note 18 : Share-based payments**

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

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

**Executive and Employee Share Plan shares**

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

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

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

Summary of key Loan Terms:

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

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

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

The fair value at grant date of \$610,613 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.95%
- time to maturity, 5 years; and
- a dividend yield of 1%

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

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2013 (2012: nil).

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term.

However, at this time the Company does not have a current dividend policy.

The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$259,929 for the year ended 30 June 2013 (2012: \$256,834).

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

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



**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

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Summary of key Loan Terms:

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

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

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

The fair value at grant date of \$72,614 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.062
- market price of shares at grant date, \$0.062
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.57%
- time to maturity, 5 years; and
- a dividend yield of 1%

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

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2013 (2012: nil).

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term.

However, at this time the Company does not have a current dividend policy.

The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$15,033 for the year ended 30 June 2013 (2012: \$4,397).

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

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

Summary of key Loan Terms:

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

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

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

The fair value at grant date of \$14,621 was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Model inputs used to value the options granted included:

- exercise price is \$0.067
- market price of shares at grant date, \$0.067
- expected volatility of the Company's shares is 50%,
- risk-free interest rate used is 3.57%
- time to maturity, 5 years; and
- a dividend yield of 1%

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

No options were granted exercised, forfeited or lapsed during the year ended 30 June 2013 (2012: nil).

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

For the purposes of the Black & Scholes valuation a 1% dividend yield has been used as a model input as, given the length of term, it is reasonable to assume that dividends will be available to be distributed during this term. However, at this time the Company does not have a current dividend policy. The value of the instruments has been expensed to remuneration on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument which was expensed to remuneration and accounted for in the share option reserve was \$2,819 for the year ended 30 June 2013 (2012: \$573).

	2013	2012
	\$	\$
<b>(b) Expenses arising from Share-based payments</b>		
Incentive Share Scheme (a)	277,781	261,803
	277,781	261,803

**Note 19 : Related party transactions**

**(a) Key Management Personnel**

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

- (i) Executive Officers
 

Aaron Heary	General Manager - Operations
Marcel Brandenburg	Company Secretary and Financial Controller (appointed to Company Secretary 6 June 2013)
  
- (ii) Executive Directors
 

Bill Hoedemaker	Director of Operations and Brewmaster
John Hoedemaker	Managing Director and Chief Financial Officer (resigned as Company Secretary 6 June 2013)
  
- (iii) Non-Executive Directors
 

Brad Banducci	(appointed 26 July 2012)
Ian Olson	Chairman
Robert Gould	
Steven Greentree	(resigned 26 July 2012)

Directors have been in office from the start of the financial year to the date of this report unless otherwise stated. No other employee had authority or responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, during the financial year.

	2013	2012
	\$	\$
<b>(a) Key Management Personnel compensation</b>		
Short-term employment benefits		
- Executives & Executive Directors	789,745	700,645
- Non-Executive Directors	129,215	129,575
Termination Benefit	-	140,000
Post-employment benefits	63,928	55,171
Share-based payments	261,599	256,834
	1,244,487	1,282,225

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

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

Key Management Personnel with loans during the financial year:

	Balance at the start of the year	Loans provided during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year
30-Jun-13					
Aaron Heary	\$ 496,000	\$ -	\$ -	\$ -	\$ 496,000
Bill Hoedemaker	\$ 372,000	\$ -	\$ -	\$ -	\$ 372,000
John Hoedemaker	\$ 620,000	\$ -	\$ -	\$ -	\$ 620,000
Marcel Brandenburg	\$ 18,600	\$ -	\$ -	\$ -	\$ 18,600
<b>Total</b>	<b>\$ 1,506,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,506,600</b>

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

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

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

**(c) Equity instrument disclosures relating to Key Management Personnel**

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Note 18.

*(ii) Option holdings*

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

	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
<b>2013</b>				
<b>Directors</b>				
Bill Hoedemaker	-	-	-	-
Brad Banducci	-	-	-	-
Ian Olson	-	-	-	-
John Hoedemaker	-	-	-	-
Robert Gould	-	-	-	-
Steven Greentree	-	-	-	-
<b>Executive Key Management</b>				
Aaron Heary	-	-	-	-
Marcel Brandenburg	-	-	-	-
	-	-	-	-
	Balance at start of the year	Cancelled - Forfeited	Exercised	Balance at end of the year
<b>2012</b>				
<b>Directors</b>				
Bill Hoedemaker	-	-	-	-
Ian Olson	-	-	-	-
John Hoedemaker	-	-	-	-
Robert Gould	-	-	-	-
Steven Greentree	-	-	-	-
<b>Executive Key Management</b>				
Aaron Heary	-	-	-	-
	-	-	-	-

*(iii) Shareholdings*

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

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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

	Nominally Held+	Balance at start of the year	Net Purchase (Disposal) of shares	Employee Share Plan Shares Received	Balance at end of the year
<b>2013</b>					
<b>Directors</b>					
Bill Hoedemaker*	100%	6,404,669	-	-	6,404,669
Brad Banducci	0%	-	-	-	-
Ian Olson	0%	2,470,587	(1,388,087)	-	1,082,500
John Hoedemaker*	4%	10,404,669	-	-	10,404,669
Robert Gould	0%	1,000,000	(750,000)	-	250,000
Steven Greentree	0%	-	-	-	-
<b>Executive Key Management</b>					
Marcel Brandenburg	100%	300,000	-	-	300,000
Aaron Heary	100%	11,143,979	(3,130,645)	-	8,013,334
		31,723,904	(5,268,732)	-	26,455,172

\* Bill Hoedemaker and John Hoedemaker are both potential beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds nil ordinary shares as at 30 June 2013 (FY12: 10,171,966). 10,171,966 shares were disposed of during the year (FY12: 46,764).

+ Percentage of 2013 year end balance held directly in the Director's name.

No shares were received from the exercise of options in 2013.

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

\* Bill Hoedemaker and John Hoedemaker are both potential beneficiaries of two discretionary trusts, The Leijenaar Trust and The Ottor Trust, which are not in their control. Pieter Hoedemaker atf The Leijenaar Trust and the Ottor Trust holds 10,171,966 ordinary shares as at 30 June 2012 (FY11: 10,218,730). 46,764 shares were disposed of during the year (FY11: 309,773).

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

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

**Note 20 : Remuneration of auditors**

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

	2013 \$	2012 \$
<b>(a) Assurance services</b>		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	51,225	52,062
Total remuneration for assurance services	51,225	52,062
<b>(b) Non-audit services</b>		
BDO Corporate & International Tax Pty Ltd		
Services in relation to taxation advice	-	6,455
Total remuneration for non-assurance services	-	6,455

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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**Note 21 : Commitments**

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	2013	2012
	\$	\$
<b>(a) Lease commitments - Company as lessee</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	325,992	257,394
Later than one year but not later than five years	295,104	476,966
	621,096	734,360
Representing:		
Operating leases as per (i) below	621,096	734,360
below	621,096	734,360

*(i) Operating leases*

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

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

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

Within one year	325,992	257,394
Later than one year but not later than five years	295,104	476,966
Later than five years	-	-
	621,096	734,360

**(b) Capital Commitments**

The capital expansion program has commenced and the Company has current commitments to specific items of capital expenditure totaling \$2,781,881 (2012: \$3,131,340).

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

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No matter or circumstance has arisen since 30 June 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.

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**Note 23 : Segment reporting**

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

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

	2013	2012
	\$	\$
Revenue from external sources	22,631,742	19,695,622
Net profit before tax	1,357,562	832,408
Reportable segment assets	33,108,409	21,561,314
Reportable segment liabilities	17,066,043	14,487,320

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.

**Gage Roads Brewing Co Limited**  
**Notes to the Financial Statements**  
**30 June 2013**

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**Note 24 : Contingencies**

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The Company had no contingent assets or liabilities as at 30 June 2013 or 2012.

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**Note 25 : ASX Waiver**

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

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

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

### Report on the Financial Report

We have audited the accompanying financial report of Gage Roads Brewing Co Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gage Roads Brewing Co Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Gage Roads Brewing Co Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Gage Roads Brewing Co Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO  


Peter Toll  
Director

Perth, Western Australia  
Dated this 22<sup>nd</sup> day of August 2013



**Gage Roads Brewing Co Limited**  
**Additional ASX Information**  
**As at 21 August 2013**

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in the annual report is as follows. This information is as at 21 August 2013.

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

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Woolworths Limited	100,016,305	25.25%
Mr Shimin Song	51,881,412	13.10%
RBC Investor Services Australia Nominee Pty Limited	22,749,703	5.74%

**Top 20 Shareholders**

**(a) Fully Paid Ordinary Shares**

Shareholder	Fully Paid Ordinary Shares	
	Ordinary Shares	Percentage
Woolworths Limited	100,016,305	25.25%
Mr Shimin Song	51,881,412	13.10%
RBC Investor Services Australia Nominee Pty Limited	22,749,703	5.74%
Citicorp Nominees Pty Limited	21,730,855	5.49%
J And L Hoedemaker Pty Ltd	10,000,000	2.52%
National Nominees Limited	9,499,957	2.40%
J P Morgan Nominees Australia Limited	9,386,137	2.37%
Giromol Pty Ltd	8,096,492	2.04%
Mr Aaron Heary	8,013,334	2.02%
Mr Willem Pieter Hoedemaker	6,394,669	1.61%
Sandhurst Trustees Ltd	4,500,000	1.14%
Mr Daniel Christopher Broeren	4,232,212	1.07%
Mr Maximino Amoedo	3,911,492	0.99%
Mr Ivan Tanner + Mrs Felicity Tanner	3,000,000	0.76%
Dr Jonathan Dalitz	2,500,000	0.63%
Sandhurst Trustees Ltd	2,353,743	0.59%
Lee Smash Repairs Pty Ltd	2,000,000	0.50%
LSR Autobody Pty Ltd	1,810,120	0.46%
Mrs Catherine Mary Marsh	1,600,000	0.40%
UBS Wealth Management Australia Nominees Pty Ltd	1,531,491	0.39%
	275,207,922	69.47%

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

There are NIL options over ordinary shares	-	0.00%
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**Gage Roads Brewing Co Limited**  
**Additional ASX Information**  
**As at 21 August 2013**

**Additional ASX Information (continued)**

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

Range	Total Holders	Units	Percentage
1-1,000	48	5,235	0.00%
1,001-5,000	147	587,232	0.15%
5,001-10,000	210	1,723,364	0.44%
10,001-100,000	712	31,572,725	7.97%
100,001-9,999,999	259	362,243,737	91.45%
<b>Total</b>	<b>1,376</b>	<b>396,132,293</b>	<b>100.00%</b>

As at 21 August 2013 there were 2,703 Shareholders with less than marketable parcels.

**Voting rights**

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

**Shares and Options subject to escrow**

As at 21 August 2013 there are nil ordinary shares and options held in escrow.