

**Appendix 4E**  
**Preliminary final report – Year ended 30 June 2010**

<b>Name of entity:</b>	<b>EMPIRE BEER GROUP LIMITED</b>
<b>ABN:</b>	<b>45 119 327 169</b>

<b>Details of the reporting period</b>	
<b>Current period:</b>	<b>30 June 2010</b>
<b>Prior period:</b>	<b>30 June 2009</b>

**RESULTS FOR ANNOUNCEMENT TO MARKET**

		<b>2010</b>	<b>2009</b>
Revenue from ordinary activities	Up 320% to	356,706	111,156
Profit/ (Loss) from ordinary activities after tax attributable to members	Up 174% to	1,451,527	(832,307)
Net Profit/ (Loss) after tax attributable to members	Up 197% to	1,451,527	(736,158)

**Dividends**

There were no dividends paid or proposed for the period. The Group does not have a dividend re-investment plan.

**Commentary on the results for the period**

A full explanation of the above figures is documents in the attached Audited Annual Financial Report.

**Details of entities over which control has been gained or lost during the period**

There were no entities over which control has been gained or lost during the period.

**Details of associates and joint venture entities**

N/A

<b>Net tangible asset per security</b>	<b>2010</b>	<b>2009</b>
Net tangible asset per security attributable to members	\$0.0706	\$0.0536

All other information requiring disclosure to comply with listing rule 4.3A is contained in Empire Beer Group Limited Annual Financial Report (attached) for the year ended 30 June 2010, including the signed Auditors report.

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**Empire Beer Group Limited and its Controlled Entities**  
ABN 45 119 327 169

**Annual Financial Report**

**For the year ended 30 June 2010**

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## Corporate Information

This Annual Report covers both Empire Beer Group Limited as an individual entity and the Consolidated entity comprising Empire Beer Group Limited and its subsidiary. The Group's functional presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's report on page 2. The Directors' report is not part of the financial report.

### Directors

Mr Christopher Morris, Non-Executive Chairman  
Mr Gregory Bandy, Executive Director  
Mr Anthony King, Non-Executive Director  
Mr Ian Macliver, Non-Executive Director

### Company Secretary

Mr Jeremy King

### Registered Office

945 Wellington Street  
West Perth, Western Australia 6005  
Telephone : +61 8 9322 7600  
Facsimile : +61 8 9322 7602

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Telephone : +61 8 9323 2000  
Facsimile : +61 8 9323 2033

### Website

[www.empirebeergroup.com.au](http://www.empirebeergroup.com.au)

### Auditors

BDO Audit (WA) Pty Ltd  
128 Hay Street  
Subiaco WA 6008

### Bankers

Westpac  
Level 13, 109 St Georges Terrace  
Perth WA 6000

### Solicitors

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### Stock Exchange

Australian Stock Exchange Limited  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**ASX Code:** EEE

## Directors Report

Your Directors present their report on the consolidated entity consisting of Empire Beer Group Limited and entities it controlled at the end of, or during the year ended 30 June 2010.

### Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Mr Christopher Morris	Non-Executive Chairman
Mr Gregory Bandy	Executive Director
Mr Ian Macilver	Non-Executive Director
Mr Anthony King	Non-Executive Director
Mr Jeremy King	Company Secretary

### Principal activities

The principal activities during the year of the consolidated entity were:

- Pursuing new business opportunities.

### Review of Operations

The profit of the Group for the financial year after income tax amounted to \$1,451,527 (2009: loss of \$736,158).

The Board has evaluated several development and investment opportunities during the financial year that it felt could be suitable for Empire Beer Group moving forward. Whilst none of these opportunities progressed to a level that warranted disclosure to the market, the board continues to review investments and businesses that may be undervalued and present an opportunity to increase shareholder value.

In the meantime, the Company is carefully managing its cash reserves to ensure a meaningful return for shareholders while retaining relatively low risk.

## **Directors Report (continued)**

### **Dividends**

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

### **Significant changes in state of affairs**

There have been no significant changes in the state of affairs for the year ended 30 June 2010.

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

There have been no matters subsequent to the end of the financial year.

### **Environmental regulation**

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment. There have been no known breaches by the Company during the financial year.

### **Carbon Emissions**

The National Greenhouse and Energy Reporting Act 2007 (NGER) is currently subject to finalisation by the Australian Parliament with implementation due in 2010/2011. The legislation sets forth the requirements of Empire Beer Group under the Carbon Pollution Reduction Scheme (CPRS). As the legislation is not yet finalised, the directors are unable to reliably quantify the potential future impact of both direct and indirect costs related to this scheme. As such any costs associated with the CPRS have not been taken into account when preparing budgets, forecasts and/or valuation models for measurement of recognised amounts.

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## Directors Report (continued)

### Information on Directors

<b>Mr Christopher Morris</b>	-	Chairman (Non Executive)
Age	-	62
Qualifications	-	-
Experience	-	Mr Morris was the founder of Computershare Limited and Chief Executive Officer from 1990 to 2006. Chris' extensive knowledge of the securities industry and its user requirements from both a national and international perspective coupled with his passion and long term strategic vision were instrumental in developing Computershare into a global company that is unique in its provision of a full range of solutions to meet the needs of listed companies and their stakeholders.
Special responsibilities	-	None
Interest in Shares & Options: Held in Empire Beer Group Limited	-	31,960,607 Ordinary Fully Paid Shares (indirect) 2,000,000 Options ( 10 cents, 30 June 2011) (indirect) 2,400,000 Director Options (6 cents, 31 December 2011) (indirect)
Directorships held in other listed entities	-	Mr Morris is the Executive Chairman of Computershare Limited since 2006 and was previously Chief Executive Officer from 1990 to 2006.

<b>Mr Gregory Bandy</b>	-	Executive Director
Age	-	34
Qualifications	-	BCom AXA1 (ASX)
Experience	-	Mr Bandy is a senior advisor at Patersons Securities. He has over ten years experience with capital markets and currently holds an executive board position with Red Emperor Resources NL. He brings with him an intimate knowledge of equities and corporate transactions as well as an array of opportunities to Empire.
Special responsibilities	-	None
Interest in Shares & Options: Held in Empire Beer Group Limited	-	500,000 Ordinary shares (direct) 2,000,000 Options (10 cents, 30 June 2011) (direct) 4,800,000 Director Options (6 cents, 31 December 2011) (direct)
Directorships held in other listed entities	-	Mr Bandy is currently Executive Director of Red Emperor Ltd a company listed on the ASX.

## Directors Report (continued)

### Information on Directors (cont'd)

<b>Mr Ian Macliver</b>	-	Director (Non Executive)
Age	-	50
Qualifications	-	B.Com, CA, F Fin, MAICD
Experience	-	Mr Macliver is Managing Director of Grange Consulting Group Pty Ltd which provides specialist corporate advisory services to both listed and unlisted companies. He has many years experience as a Senior Executive and Director of both resource and industrial companies, with particular responsibility for capital raising and other corporate initiatives. Mr Macliver is a Director of various listed and unlisted companies and is the Chairman of the Company's audit committee.
Special responsibilities	-	Chairman of audit committee
Interest in Shares & Options: Held in Empire Beer Group Limited	-	5,196,682 Ordinary shares (indirect)
Directorships held in other listed entities	-	During the past three years Mr Macliver's directorships in other listed entities are current Director and Chairman of Stratatel Limited since July 2000, Director of Mount Gibson Iron Limited since February 2001, Port Bouvard Pty Limited since December 1994, Non Executive Director of Empire Beer Group Limited since January 2004 and former Director of Bioprospect Limited from February 2000 to December 2006.
<b>Mr Anthony King</b>	-	Director (Non-Executive)
Age	-	37
Qualifications	-	BCom CA
Experience	-	A chartered account by training, Mr King's career has included several years of investment banking and financing experience, including periods based in London and the Eastern States. Mr King is currently Managing Director of Max Capital Pty Ltd, a Perth based corporate finance organisation that specialises in the financing of small to mid-cap public companies. In this role, Mr King is responsible for business development and transaction execution. Mr King is currently a Director of Grange Consulting Group Pty Ltd, a Perth based consulting firm that specialises in corporate advisory and financial management services. Over a number of years Tony has developed key relationships and extensive networks with fund managers and financiers.
Special responsibilities	-	None
Interest in Shares & Options: Held in Empire Beer Group Limited	-	5,715 Ordinary shares (direct) 6,096,168 Ordinary Shares (indirect) 500,000 Options (10 cents, 30 June 2011) (indirect) 4,800,000 Director Options (6 cents, 31 December 2011) (indirect)
Directorships held in other listed entities	-	Mr King is currently Managing Director of Stirling Minerals Ltd a company listed on the ASX .

## Directors Report (continued)

### Information on Directors (cont'd)

#### Company Secretary

Mr Jeremy King, LLB, is a Senior Executive of Grange Consulting Pty Ltd, where he specialises in corporate advisory, strategic advice and managing legal issues associated with Grange's clients. Mr King is a corporate lawyer with over 10 years experience in domestic and international legal, financial and corporate matters.

#### **Remuneration Report**

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

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

#### **A. Principles used to determine the nature and amount of remuneration**

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its monthly board meetings.

#### **Non-executive directors**

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board based on comparative roles in the external market. Since the Board restructure on 18 March 2009, the Non-Executive Directors and the Chairman have elected not to incur or receive a fee for their services until June 2010 at which time the Board will consider reviewing the on-going fees for the 2011 financial year. At the date of this report, the Non-Executive Directors have not incurred or received any fees for their services and will regularly review it's position on this as the company evolves at each board meeting.

#### **Directors' fees**

The Board of Directors have elected not to receive fees for their services since the restructure on 18 March 2009. The Non-Executive fees will be reviewed post 30 June 2010 by the Board at which time the Board will determine whether fees will be charged for the 2011 financial year.

Non-Executive Directors' fees are determined by the Board within an aggregate directors' fee pool limit, which are periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per annum as approved by Shareholders at the annual general meeting.

The following fees have applied:

<b>Base Fees</b>	<b>2010</b>	<b>2009</b>
Chairman	Nil	Nil
Other non-executive directors	Nil	Nil

## Directors Report (continued)

### Remuneration Report (cont'd)

#### A. Principles used to determine the nature and amount of remuneration (cont'd)

##### Additional fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

##### Retirement allowances for directors

Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements where applicable.

##### Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term incentives; and
- long-term incentives through issue of share options.

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long-term equity-linked performance incentives for executives as deemed necessary by the board.

##### Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pays are competitive with the market. An executive's pay is also reviewed every 12 months and will increase every 12 months at minimum by the consumer price index as determined by the Reserve Bank of Australia.

##### Benefits

Executives and key management personnel are entitled to receive superannuation of 9% and are not currently entitled to additional benefits other than reimbursement of business expenses and additional fees for services over and above their existing services agreements.

##### Short term incentives

The Executives are entitled to a Performance Based Bonus based on Key Performance Indicators (KPI's) pre-determined by the Board of Directors. No KPI's have been set for the year ended 30 June 2010 and no bonus will be paid to the Executives for this period. There are no KPI's for the Executive Director or performance bonus at the date of this report for the year ending 30 June 2010, which will be reviewed by the Board as considered necessary.

## Directors Report (continued)

### Remuneration Report (cont'd)

#### A. Principles used to determine the nature and amount of remuneration (cont'd)

##### Long term incentives

The executive and non-executive directors are entitled to share options as approved by shareholders.

The Group does not offer any variable remuneration incentive plans or bonus schemes to Executives or any retirement benefits and as such there are no performance related links to the existing remuneration policies.

The following table shows the gross revenue, losses and share price of the Group at the end of the respective financial years.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	1,754,135	329,600	7,571,431	682,098
Net Profit / (loss)	1,451,527	(736,158)	(3,444,547)	(6,893,331)
Share price	\$0.065	\$0.05	\$0.05	\$0.19

#### B. Details of Remuneration

##### Amounts of remuneration

Details of the remuneration of the directors and the key management personnel and specified executives (as required under Section 300A of the Corporations Act 2001) of Empire Beer Group Limited and its subsidiaries are set out in the following tables.

The following persons must be disclosed under the Corporations Act 2001 as specified executives:

- Mr Jeremy King – Company Secretary

##### Key Management personnel and other executives of the Group and of the Company

	Short Term Employee Benefits			Post Employment	Long Term Benefits	Termination Benefits	Share Based Payments	Total	% Options
	Salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Long Service Leave		Options & Shares	Total	% Options
<b>30 June 2010</b>									
<i>Non-Executive Directors</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mr Christopher Morris	-	-	-	-	-	-	-	-	-
Mr Ian Macliver	-	-	-	-	-	-	-	-	-
Mr Anthony King	-	-	-	-	-	-	-	-	-
<b>Sub Total Non-Executive Directors</b>	-	-	-	-	-	-	-	-	-
<i>Executive Directors</i>									
Mr Gregory Bandy	60,000	-	10,570	5,400	-	-	-	75,970	-
<b>Total Key Management Personnel Compensation (Group)</b>	<b>60,000</b>	-	<b>10,570</b>	<b>5,400</b>	-	-	-	<b>75,970</b>	-

## Directors Report (continued)

### Remuneration Report (cont'd)

#### B. Details of Remuneration (cont'd)

	Short Term Employee Benefits			Post Employment	Long Term Benefits	Termination Benefits	Share Based Payments	Total	% Options
	Salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Long Service Leave		Options & Shares	Total	% Options
<b>30 June 2010</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Specified Executives of the Group</i>									
Mr Jeremy King	-	-	-	-	-	-	-	-	-

	Short-term Employee Benefits			Post Employment	Long-Term Benefits	Termination benefits	Share-Based Payments	Total	% Options
	Salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Long Service Leave		Options and Shares	Total	%
<b>30 June 2009</b>	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Non- Executive Directors</i>									
Mr Christopher Morris	-	-	-	-	-	-	87,000	87,000	100
Mr Ian Macliver	23,457	-	-	2,259	-	-	-	25,716	-
Mr Anthony King	-	-	-	-	-	-	174,000	174,000	100
Mr Mel Ashton	34,322	-	-	-	-	-	-	34,322	-
Ms Kate Lamont	23,457	-	-	2,259	-	-	-	25,716	-
<b>Sub Total Non-Executive Directors</b>	<b>81,236</b>	-	-	<b>4,518</b>	-	-	<b>261,000</b>	<b>346,754</b>	-
<i>Executive Directors</i>									
Mr Gregory Bandy	17,258	-	-	1,553	-	-	174,000	192,811	90
<i>Other Key Management Personnel (Group)</i>									
Mr Lyndon Waples	50,748	10,000	-	5,589	-	30,000	-	96,337	-
<b>Total Key Management Personnel Compensation (Group)</b>	<b>149,242</b>	<b>10,000</b>	-	<b>11,660</b>	-	<b>30,000</b>	<b>435,000</b>	<b>635,902</b>	-

	Short-term Employee Benefits			Post Employment	Long-Term Benefits	Termination benefits	Share-Based Payments	Total	% Options
	Salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Long Service Leave		Options and Shares	Total	%
<b>30 June 2009</b>									
<i>Specified Executives of the Group</i>									
Mr Jeremy King	-	-	-	-	-	-	-	-	-
Mr Philip Warren	-	-	-	-	-	-	-	-	-

## Directors Report (continued)

### Remuneration Report (cont'd)

#### B. Details of Remuneration (cont'd)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk STI		At Risk LTI	
	2010	2009	2010	2009	2010	2009
<i>Non-Executive Directors</i>						
Mr Christopher Morris	-	-	-	-	-	-
Mr Ian Macliver	-	-	-	-	-	-
Mr Anthony King	-	-	-	-	-	-
<i>Executive Directors</i>						
Mr Gregory Bandy	100%	10%	-	-	-	-
<i>Specified Executives of the Group</i>						
Mr Jeremy King	-	-	-	-	-	-

#### C. Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Executive Director and other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related conditions and other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with six months notice, subject to termination payments, or if conditions set out in services agreements are not met, then with 2 months notice.

##### **Gregory Bandy, Executive Director**

- Term of agreement – Contracted on a continuing monthly basis.
- Base monthly salary, inclusive of superannuation, \$5,450 per month determined by the Board of Directors.
- Performance based bonus – The Company may any time during the term, pay the Executive a performance based bonus for achievement of pre determined key performance indicators (KPI's). The Board has not set any KPI's for the year ended 30 June 2010 and does not intend on paying any bonus related payments.
- Termination arrangements - The Board can terminate this arrangement in writing providing 4 weeks notice. Benefits accrued to date will be paid with no further termination benefits.

## Directors Report (continued)

### Remuneration Report (cont'd)

#### D. Share-based compensation

##### Options-Employee Option Plan

There were no ESOP Options issued or vested during the financial year ended 30 June 2010. There is currently no ESOP plan in place within the Group.

##### Director Options

There were no Director Options issued or vested during the financial year ended 30 June 2010.

Director options over shares in Empire Beer Group Limited were issued to Directors in April 2009 as consideration and approved by general meeting. The Options are designed to provide long-term incentives for executives and non executives to deliver long-term shareholder returns. Under the terms of the options, participants are granted options which are granted for no issue price at an exercise price of \$0.06 per share.

Once vested, the options remain exercisable until 30 June 2011 and are granted for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value Per Option at Grant Date	% vested
15 April 2009	15 April 2009	31 December 2011	\$0.06	\$0.036	100%

Details of options over ordinary shares in the company provided as remuneration to each director of Empire Beer Group Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Empire Beer Group Limited.

Further information on the options is set out in note 23 to the financial statements.

Name	Number of Options Granted During Year		Number of Options Vested During Year	
	2010	2009	2010	2009
<b>Directors</b>				
Mr Christopher Morris	-	2,400,000	-	2,400,000
Mr Gregory Bandy	-	4,800,000	-	4,800,000
Mr Ian Macliver	-	-	-	-
Mr Anthony King	-	4,800,000	-	4,800,000
<b>Other Key Management Personnel of Group</b>				
<b>Specific Executives</b>				
Mr Jeremy King	-	-	-	-

**End of remuneration report**

## Directors Report (continued)

### Directors meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company for the time the Director held office during the financial year are:

	Audit Committee Meetings	Director's Meetings
Number of Meetings Held	-	2
Number of Meetings Attended		
Mr Christopher Morris	-	2
Mr Gregory Bandy	-	2
Mr Anthony King	-	2
Mr Ian Macliver	-	2

### Shares issued on the exercise of options

There were no options exercised during the financial year.

### Shares under option

Grant Date	Expiry Date	Exercise Price	Number Under Option
12 December 2008	30 June 2011	\$0.10	5,750,000
15 April 2009	31 December 2011	\$0.06	12,000,000

### Insurance of officers

During the financial year, Empire Beer Group Limited paid a premium of \$14,678 to insure the directors and secretaries of the company and its Australian based controlled entities, and the general managers of each of the divisions of the Group.

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 entities in the Group, 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 them 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.

## Directors Report (continued)

### 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 and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, 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. The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	Consolidated	
	2010	2009
	\$	\$
<b>Audit Services</b>		
<i>BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial reports	29,490	46,401
<b>Total remuneration for audit services</b>	<b>29,490</b>	<b>46,401</b>
<b>Non-audit services</b>		
<b><i>Non-audit related services</i></b>		
<i>BDO Corporate Tax (WA) Pty Ltd</i>		
Taxation services	15,332	13,466
<b>Total remuneration for non-audit related services</b>	<b>15,332</b>	<b>13,466</b>

## Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

### Auditor

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

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



**Christopher Morris**  
**Non-Executive Chairman**

**Perth, Western Australia, 31 August 2010**

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMPIRE BEER GROUP LIMITED

### Report on the Financial Report

We have audited the accompanying financial statements of Empire Beer Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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### Auditor's Opinion

In our opinion:

- (a) the financial report of Empire Beer Group Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2010. 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.

### Auditor's Opinion

In our opinion, the Remuneration Report of Empire Beer Group Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

**BDO Audit (WA) Pty Ltd**

BDO  


**Peter Toll**  
Director

Signed in Perth, Western Australia  
Dated this 31<sup>st</sup> day of August 2010

31<sup>st</sup> August 2010

The Directors  
Empire Beer Group Limited  
945 Wellington Street  
WEST PERTH WA 6005

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF EMPIRE BEER GROUP LIMITED**

As lead auditor of Empire Beer Group Limited for the year ended 30 June 2010, 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.

This declaration is in respect of Empire Beer Group Limited and the entities it controlled during the period.



**Peter Toll**  
Director



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

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## Consolidated Statement of Comprehensive Income

### For the year ended 30 June 2010

	Note	Consolidated	
		2010	2009
		\$	\$
Revenue from continuing operations	6a	356,706	111,156
Other income	6b	1,397,429	218,444
Employee benefits expense		(81,718)	(133,360)
Sales and marketing expenses		-	-
Depreciation expense		-	(116)
Share-based payments expense	20c	-	(544,500)
Impairment of investment in subsidiary		-	-
Impairment of intercompany loans		-	-
Finance and interest expense	7	(42,107)	(59,013)
Occupancy costs		-	(4,128)
Other expenses	7	(178,783)	(420,790)
Profit/ (Loss) before income tax		1,451,527	(832,307)
Income tax benefit	8	-	-
Profit/ (Loss) for the year from continuing operations		1,451,527	(832,307)
Profit from discontinued operations	4	-	96,149
Profit/(Loss) for the year		1,451,527	(736,158)
Other comprehensive income		-	-
Total comprehensive income for the year		1,451,527	(736,158)
Earnings per share from continuing operations attributable to the ordinary equity holders of the company.			
- basic earnings/ (loss) per share	9	0.02	(0.02)
- diluted earnings/ (loss) per share	9	0.01	(0.02)

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

### As at 30 June 2010

	Note	Consolidated	
		2010	2009
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	4,392,208	3,593,990
Trade and other receivables	11	44,081	608,042
Financial assets at fair value through profit or loss	12	1,587,455	425,838
Total Current Assets		6,023,744	4,627,870
<b>TOTAL ASSETS</b>		<b>6,023,744</b>	<b>4,627,870</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	20,752	76,405
Total Current Liabilities		20,752	76,405
<b>TOTAL LIABILITIES</b>		<b>20,752</b>	<b>76,405</b>
<b>NET ASSETS</b>		<b>6,002,992</b>	<b>4,551,465</b>
<b>EQUITY</b>			
Contributed equity	16	14,232,890	14,232,890
Accumulated losses	17(b)	(9,622,509)	(11,074,036)
Reserves	17(a)	1,392,611	1,392,611
<b>TOTAL EQUITY</b>		<b>6,002,992</b>	<b>4,551,465</b>

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### For the year ended 30 June 2010

Note	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
	12,261,878	854,111	(10,337,878)	2,778,111
<b>Total comprehensive income for the half-year</b>				
Profit or loss for the -year	-	-	(736,158)	(736,158)
<b>Total comprehensive income for the year</b>	-	-	<b>(736,158)</b>	<b>(736,158)</b>
<b>Transactions with owners, recorded directly in equity</b>				
<b>Contributions by owners</b>				
Issue of ordinary shares	1,971,012	-	-	1,971,012
Share-based payment transactions	-	538,500	-	538,500
Total transactions with owners	1,971,012	538,500	-	2,509,512
<b>Balance at 30 June 2009</b>	<b>14,232,890</b>	<b>1,392,611</b>	<b>(11,074,036)</b>	<b>4,551,465</b>

Note	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
	14,232,890	1,392,611	(11,074,036)	4,551,465
<b>Total comprehensive income for the half-year</b>				
Profit or loss for the year	-	-	1,451,527	1,451,527
<b>Total comprehensive income for the year</b>	-	-	<b>1,451,527</b>	<b>1,451,527</b>
<b>Transactions with owners, recorded directly in equity</b>				
<b>Contributions by owners</b>				
Issue of ordinary shares	-	-	-	-
Share-based payment transactions	-	-	-	-
Total transactions with owners	-	-	-	-
	16			
<b>Balance at 30 June 2010</b>	<b>(a) 14,232,890</b>	<b>1,392,611</b>	<b>(9,622,509)</b>	<b>6,002,992</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

### For the year ended 30 June 2010

	Note	Consolidated	
		2010	2009
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations (inclusive of GST)		-	3,133,652
Cash payments in the course of operations (inclusive of GST)		(291,845)	(4,066,732)
Interest and other finance costs paid		(42,107)	(86,849)
Interest received		278,928	70,110
Dividends Received		7,990	
Other receipts		22,746	218,409
<b>Net cash flows inflow/(outflow) from operating activities</b>	19	<u>(24,288)</u>	<u>(731,410)</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of equities		(3,215,610)	(839,109)
Proceeds from sale of equities		4,038,116	569,649
Loan to other entities		(175,000)	(500,000)
Loans repaid by other entities		175,000	-
Purchase of plant and equipment			(53,635)
Proceeds from sale of business, net of cash disposed	4	-	4,613,434
Loan to related parties		-	-
Loans repaid by related parties		-	-
<b>Net cash flows inflow/(outflow) from investing activities</b>		<u>822,506</u>	<u>3,790,339</u>
<b>Cash flows from financing activities</b>			
Proceeds from rights issue		-	1,911,038
Share issue costs		-	(194,024)
Proceeds from borrowings		-	-
Proceeds from issue of convertible note		-	-
Repayment of borrowings and convertible note		-	(1,488,454)
<b>Net cash flows inflow/(outflow) from financing activities</b>		<u>-</u>	<u>228,560</u>
Net increase in cash and cash equivalents		798,218	3,287,489
Cash and cash equivalents at beginning of period		3,593,990	306,501
<b>Cash and cash equivalents at end of period</b>	10	<u>4,392,208</u>	<u>3,593,990</u>
Financing arrangements			
Non-cash financing and investing activities	25		

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### 1. Summary of significant accounting policies

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

#### a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### *Compliance with IFRS*

The consolidated financial statements of Empire Beer Group Limited group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the financial assets and liabilities at fair value through profit or loss.

##### *Critical accounting estimates*

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes as required (refer note 2).

##### *Financial statement presentation*

The group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Separate financial statement Empire Beer Group Limited, as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001. Financial information for Empire Beer Group Limited as an individual entity is included in Note 21.

#### b) Principles of consolidation

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Empire Beer Group Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Empire Beer Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balance and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Subsidiaries are accounted for in the parent entity financial statements at cost.

#### c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided by the chief operation 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 Board of Directors.

##### *Change in accounting policy*

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Following the disposal of the operating businesses in November 2008, management do not consider there to be any reportable segments for the current period as it continues to pursue new business opportunities for the Group.

#### d) Foreign currency translation

##### *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Empire Beer Group Limited's functional and presentation currency.

#### e) 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, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Revenue is recognised for the major business activities as follows:

- (i) Interest income  
Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### f) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

#### g) 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### *Tax consolidation legislation*

Empire Beer Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Empire Beer Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone payer in its own right.

In addition to its own current and deferred tax amounts, Empire Beer Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution (or distributions from) wholly-owned tax consolidated entities.

#### h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### i) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 1(u).

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

#### j) Impairment of assets

Goodwill and 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 inflows 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.

#### k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments 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.

#### l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Recoverability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision 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 provision is recognised in the income statement in other expenses.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in statement of comprehensive income.

#### m) Investments and other financial assets

##### *Classification*

The Group classifies its investments in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 11) and borrowings.

##### *Financial assets at fair value-through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

##### *Recognition and de-recognition*

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### *Subsequent measurement*

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

Details on how the fair value of financial instruments is determined are disclosed in note 5.

##### *Impairment*

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

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

#### n) Property, Plant and equipment

Property, Plant and equipment is stated at cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Buildings are depreciated on a straight-line basis over the estimated useful life of the asset and all other assets are depreciated using the diminishing value method as follows:

Plant and equipment - 3 to 20 years

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

#### o) Intangible assets

##### (i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination synergies.

##### (ii) *Liquor Licences and intellectual property*

Liquor licences and intellectual property are valued at cost. Liquor licences and intellectual property are considered to have an indefinite useful life. As a consequence no amortisation has been charged. They are tested for impairment annually and whenever an indication of impairment exists. Any impairment is recognised immediately in profit or loss.

#### p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### q) 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 income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

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

#### r) 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, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) *Share-based payments*

Share-based compensation benefits are provided to employees via the Empire Beer Group Employee Option Plan and an employee share scheme.

The fair value of options granted under the Empire Beer Group Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the 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.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

##### (iii) *Share-based payments*

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet 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. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Under the employee share scheme, shares issued by the Empire Beer Group Employee Share Plan to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

#### s) 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, net of tax, 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 the acquisition as part of the purchase consideration.

#### t) Earnings per share

##### (i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit 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.

##### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated 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 balance sheet.

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 flow.

#### v) Non-current assets (or disposal groups) held for sale and discontinued operations

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

#### w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent, but necessary changes to AIFRS as a result of the IASB's 2008 annual improvement process.	1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.  There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets classified as held for sale.
- AASB 107	Statement of Cash flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1 January 2010	
- AASB 5	Non-Current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets classified as held for sale are limited to those required by AASB 5 unless disclosures are specifically required for these assets by other AASB's.	1 January 2010	
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards-Group Cash-Settled Share based Payment transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 Group and Treasury Share Transactions</i>	1 January 2010	No impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.

## Notes to the Financial Statements (continued)

### 1. Summary of significant accounting policies (cont'd)

AASB 2009-10	Amendments to Australian Accounting Standards- Classification of Rights Issues [AASB 132]	Clarifies that such transaction where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed numbers of shares for a fixed amount in a different currency to the functional currency.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

#### x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

## Notes to the Financial Statements (continued)

### 2. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### Share-based payments

The Group values share options using the black & scholes method which requires significant estimates and judgements over the inputs in respect to the volatility being 115%(market volatility of the underlying security) and the risk free rate of 2.75% to 3.29% (RBA 2 year government bond rate). Refer to note 20 for further details.

### 3. Segment information

#### a) Description of segments

Management has determined there to be no reportable segments for the Group in the current financial year, following the disposal of the operating businesses in November 2008. The current performance of the business is stated in the Consolidated Statement of Comprehensive Income.

### 4. Discontinued operations

#### For the year ended 30 June 2009

#### a) Description

On 11 August 2008 Empire Beer Group Limited announced that the Group had entered into a sale agreement to sell its two leasehold businesses of The Royal on the Waterfront in East Perth and the Colonial Brewing Co, Margaret River and all related business assets, brands and intellectual property. Settlement of the sale occurred on 24 November 2008 and the leasehold businesses disposed of is reported in this financial report as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

## Notes to the Financial Statements (continued)

### 4. Discontinued operations (cont'd)

#### b) Financial performance and cash flow information

The financial performance and cash flow information are for the period 1 July 2008 to 23 November 2008.

#### The Royal on the Waterfront

	2009 \$
Revenue	2,698,345
Expenses	<u>(2,386,144)</u>
Profit/(loss) before income tax	312,201
Income tax expense	-
<b>Profit/(loss) after income tax of discontinued operations</b>	<b><u>312,201</u></b>
Gain on sale before income tax	29,948
Income tax expense	-
Gain on sale after income tax expense	<u>29,948</u>
<b>Profit/(loss) from discontinued operations</b>	<b><u>342,149</u></b>

#### Colonial Brewing Co

Revenue	358,729
Expenses	<u>(617,568)</u>
Loss before income tax	(258,839)
Income tax expense	-
<b>Loss from discontinued operations</b>	<b><u>(258,839)</u></b>
Gain on sale before income tax	12,839
Income tax expense	-
Gain on sale after income tax expense	<u>12,839</u>
<b>Loss from discontinued operations</b>	<b><u>(246,000)</u></b>
<b>Total Profit/(loss) from discontinued operations</b>	<b><u>96,149</u></b>
Net cash inflow (outflow) from operating activities	23,929
Net cash inflow (outflow) from investing activities (includes an inflow of \$4,613,434 and repayment of intercompany loans)	(45,600)
Net cash inflow (outflow) from financing activities	-
<b>Net increase in cash generated by discontinued operations</b>	<b><u>(21,671)</u></b>

## Notes to the Financial Statements (continued)

### 4. Discontinued operations (cont'd)

c) Carrying amount of assets and liabilities

The carrying amount of assets disposed at 23 November 2008 were:

	2009 \$
<b>The Royal on the Waterfront</b>	
Goodwill	2,283,395
Intangibles- Liquor licence	100,000
Plant and equipment	549,641
Inventory	81,943
Prepayments	47,592
<b>Total Assets</b>	<u>3,062,571</u>
<b>Colonial Brewing Co</b>	
Plant and equipment	744,771
Buildings	641,860
Intangibles- Liquor licence	87,546
Inventory	26,989
Prepayments	6,910
<b>Total Assets</b>	<u>1,508,076</u>
<b>Total Assets</b>	<u><b>4,570,647</b></u>

d) Details of the sale of the operations

	2009 \$
Consideration received	
Cash consideration	4,613,434
Net consideration received	<u>4,613,434</u>
Carrying amount of net assets sold	<u>(4,570,647)</u>
Gain on sale before income tax	42,787
Income tax expense	-
<b>Gain on sale after income tax</b>	<u><b>42,787</b></u>

The consideration for the leasehold businesses was a total of \$4,450,000 plus stock at cost of \$108,932 and prepayments of \$54,502. The consideration was allocated according to the values assigned in the sale agreement of:

Assets	\$
Goodwill	2,450,000
Plant and equipment	1,230,000
Buildings	620,000
Leasehold improvements	150,000
<b>Total</b>	<u><b>4,450,000</b></u>

## Notes to the Financial Statements (continued)

### 5. Financial risk management

The Groups activities expose it to a variety of financial risks: market risk (price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments, however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, price risk and aging analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified management. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Group.

#### a) Market risk

##### (i) Price risk

The Group are exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group manages its portfolio of securities in accordance with limits set by the Group. Diversification of the portfolio is not defined by the Group as management have a short term position in the investments.

The Group holds eight publicly traded ASX listed equity investments within it's portfolio of which a combined weighted average volatility rate has been calculated utilising the actual annualised volatility rates for each investment for year ended. The assessed weighted average volatility rate is 105% for the year. The table below summarises the impact of increases/decreases in the share prices of the portfolio of equity investments using the weighted average volatility rate of 105% (2009: 105%).

	Impact on Pre-Tax Profit 2010		Impact on Pre-Tax Profit 2009	
	Increase	Decrease	Increase	Decrease
Volatility rate	105%	(100%)	105%	(100%)
Listed equities at cost: \$1,587,455	1,666,828	(1,587,455)	406,115	(386,776)

##### (ii) Cash flow and fair value interest rate risk

The Group's cash balance is held in a high interest earning account. Sensitivity analysis not disclosed based on management's calculations as amount considered immaterial.

The Group manages cash flow and interest rate risk by regularly reviewing cash facilities and ensuring we are attracting the highest and most suitable interest rate on our cash holdings. As at reporting date, the group had the following variable rate cash and borrowings held at variable rates.

## Notes to the Financial Statements (continued)

### 5. Financial risk management (cont'd)

#### a) Market risk (cont'd)

	30 June 2010		30 June 2009	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Cash and cash equivalents	4.55%	4,392,208	2.63%	3,593,990

#### b) Credit risk

Credit risk is managed by the Board for the Group. Credit risk arises from cash and cash equivalents as well as credit exposure including trade and other receivables. The board manages credit risk by ensuring all cash balances held at banks are held at internationally and domestically recognised institutions. With respect to investments, it limits its exposure by investing in liquid investments that principally exchange traded.

The Company monitors and makes investment decisions based upon current economic outlooks and opportunities to maximise returns on their portfolio.

The maximum exposure to credit risk is the carrying amount of the financial assets of cash and other receivables and investments to the value of \$6,023,744 (2009: \$4,627,870).

Financial assets that are neither past due nor impaired are as follows:

	2010 \$	2009 \$
<b>Trade and other receivables – counterparties without external credit rating</b>		
Financial assets with no defaults in past	44,081	108,042
Financial assets with no history (new)	-	500,000
<b>Total trade and other receivables</b>	<b>44,081</b>	<b>608,042</b>
<b>Cash and cash equivalents</b>		
AA S&P credit rating	4,392,208	3,593,990

#### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

As at reporting date the Group had net working capital of \$6,002,992 (2009: \$4,551,465). The group manages liquidity risk by continuously monitoring cash flow forecasts and actual cash flows on a monthly basis and currently does not require any external borrowing facilities.

The financial liabilities of the Group at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments.

## Notes to the Financial Statements (continued)

### 5. Financial risk management (cont'd)

#### (c) Liquidity risk (cont'd)

##### *Maturities of financial liabilities*

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>GROUP</b> <b>As at 30 June 2010</b>	<i>Less than 6 months</i>	<i>Total contractual cashflows</i>	<i>Carrying Amounts</i>
	\$	\$	\$
<b>Non-derivatives</b>			
Non-interest bearing	20,750	20,750	20,750
<b>Total non-derivatives</b>	<b>20,750</b>	<b>20,750</b>	<b>20,750</b>

<b>GROUP</b> <b>As at 30 June 2009</b>	<i>Less than 6 months</i>	<i>Total contractual cashflows</i>	<i>Carrying Amounts</i>
	\$	\$	\$
<b>Non-derivatives</b>			
Non-interest bearing	76,407	76,407	76,407
<b>Total non-derivatives</b>	<b>76,407</b>	<b>76,407</b>	<b>76,407</b>

#### d) Fair value

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

The fair value of financial instruments traded in active markets, such as trading and available for sale securities, is based on current quoted market prices at reporting date. The quoted market price used for financial assets held by the Group is the current market price.

The fair value of financial instruments that are not traded in an active market such as unlisted investments and subsidiaries is determined using valuation techniques where applicable. Where this is unable to be done they are carried at cost. The carrying value less impairment provision of current trade receivables and payables are assumed to approximate their fair values due to their short term nature.

##### *Hierarchy*

The following tables classify financial instruments recognised in the statement of financial positions of the group and parent entity according to the hierarchy stipulated in AASB 7 as follows:

Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or

Level 3 - a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

## Notes to the Financial Statements (continued)

### 5. Financial risk management (cont'd)

#### (d) Fair value (cont'd)

<b>Group - 2010</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Fair value through profit or loss:				
- Listed equity securities	1,587	-	-	1,587
	<u>1,587</u>	<u>-</u>	<u>-</u>	<u>1,587</u>
<b>Group - 2009</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Fair value through profit or loss:				
- Listed equity securities	426	-	-	426
	<u>426</u>	<u>-</u>	<u>-</u>	<u>426</u>

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## Notes to the Financial Statements (continued)

### 6. Revenue and other income

	Consolidated	
	2010	2009
	\$	\$
<b>(a) From continuing operations</b>		
<b>Other revenue</b>		
Interest revenue	356,706	111,156
<b>Total revenue from continuing operations</b>	<b>356,706</b>	<b>111,156</b>
<b>(b) Other income</b>		
Reversal of intercompany loan previously impaired	910	-
Realised gains on financial assets through profit or loss	955,355	165,382
Unrealised gains on financial assets through profit or loss	390,812	39,062
Other	50,352	14,000
<b>Total other income</b>	<b>1,397,429</b>	<b>218,444</b>
<b>Total revenue from discontinued operations (note 4)</b>	<b>-</b>	<b>3,099,861</b>

### 7. Expenses

Loss before income tax includes the following specific expenses:

	Consolidated	
	2010	2009
	\$	\$
Finance costs:		
- Interest expense	-	(26,005)
- Interest on convertible note	-	(24,885)
- Brokerage fees	(41,597)	(6,525)
- Bank fees and charges	(510)	(1,598)
<b>Total finance costs</b>	<b>(42,107)</b>	<b>(59,013)</b>
Operating lease expense	-	(23,627)
Other expenses:		
- Motor Vehicle lease payments & expenses	-	(19,500)
- General administration	(57,852)	(159,649)
- Audit fees	(29,490)	(46,401)
- ASX and share registry expense	(28,441)	(30,877)
- Consultants expense	(63,000)	(164,363)
<b>Total other expense</b>	<b>(178,783)</b>	<b>(420,790)</b>

## Notes to the Financial Statements (continued)

### 8. Income tax expense

	2010 \$	Consolidated 2009 \$
<b>a) Reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) from continuing operations before income tax expense	1,451,527	(832,307)
Profit/(loss) from discontinued operations	-	96,149
Tax at the Australian rate of 30%	435,459	(220,844)
Tax effect of permanent differences:		
Entertainment	-	8
Goodwill and intangible impairment expense	-	-
Property, plant & equipment impairment expense	-	-
Convertible note interest expense	-	7,465
Reversal of impairment of intercompany loans	-	-
Impairment of investment in subsidiary	-	-
Franked dividends received	7,990	-
Impairment of intercompany receivable	-	-
Share-based payments expense	-	163,350
Fines	-	124
Other	-	925
Research and Development tax offset	-	-
Benefits of tax losses and other timing differences not brought to account	443,449	48,972
	-	-
<b>b) Unrecognised temporary differences</b>		
Deferred tax assets and liabilities not recognised relate to the following:		
<b>Deferred tax assets</b>		
Tax losses	189,543	-
Other temporary differences	785,567	30,061
<b>Deferred tax liabilities</b>		
Other temporary differences	(117,244)	(11,719)
	857,866	18,342

The consolidated entity has tax losses arising in Australia of \$631,810 available for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2010, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted.

## Notes to the Financial Statements (continued)

### 8. Income tax expense (cont'd)

a) Tax consolidation legislation

Empire Beer Group Limited and its wholly owned Australian controlled entities have elected to enter into the tax consolidation legislation from 9 January 2007. The accounting policy in relation to this legislation is set out in note 1(e). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Empire Beer Group Limited.

The entities entered into a tax funding agreement under which the wholly owned entities fully compensate Empire Beer Group Limited for any current tax payable assumed and are compensated by Empire Beer Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Empire Beer Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables, no amounts have been recognised.

### 9. Earnings/(loss) per share

	Consolidated	
	2010	2009
	\$	\$
Basic profit/ (loss) per share	0.02	(0.02)
Diluted profit/ (loss) per share	0.01	(0.02)
Profit/ (loss) used in calculating EPS	1,451,527	(736,158)
Basic and diluted loss per share from discontinued operations		0.002
Profit/(Loss) used in calculating EPS from discontinued operations		96,149
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	<b>No.</b> 84,784,929	<b>No.</b> 48,745,285
	<b>2010</b>	<b>2009</b>
	\$	\$
<i>Reconciliation of basic and diluted loss per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings/(loss) per share:		
from continuing operations	1,451,527	(832,307)
from discontinued operations	-	96,149
	<u>1,451,527</u>	<u>(736,158)</u>

## Notes to the Financial Statements (continued)

### 10. Cash and cash equivalents

	Consolidated	
	2010 \$	2009 \$
<b>Current</b>		
Cash at bank and in hand	4,405	10,369
Deposits at call	4,387,803	3,583,621
	4,392,208	3,593,990

- a) Interest rate risk exposure  
The Group's exposure to interest rate risk is discussed in note 5.

### 11. Trade and other receivables

	Note	Consolidated	
		2010 \$	2009 \$
<b>Current</b>			
Accrued Interest		-	47,222
Other receivables		44,081	60,820
Loans receivable		-	500,000
		44,081	608,042

- a) Past due but not impaired  
As of 30 June 2010, there were no past due and not impaired receivables (2009: Nil).
- b) Fair values and credit risk  
Due to the short term nature of these receivables the carrying values represent their respective fair values at 30 June 2010 and 30 June 2009.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 5 for more information on the risk management policy of the Consolidated entity and the credit quality of its receivables.

- c) Other receivables  
These amounts generally arise from transactions outside the usual operating activities of the Company. Collateral is not normally obtained.

## Notes to the Financial Statements (continued)

### 12. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	Consolidated	
	2010 \$	2009 \$
Current		
Australian listed equity securities	1,587,455	425,838
	<u>1,587,455</u>	<u>425,838</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expense in the income statement (note 6).

a) Risk exposure

The Group's exposure to price and credit risk is discussed in note 5.

### 13. Property, plant and equipment (non-current)

	Land & Buildings \$	Leasehold Improvements \$	Computer Equipment & Software \$	Plant & Equipment \$	Total \$
<b>Consolidated</b>					
<b>Year ended 30 June 2009</b>					
At 1 July 2008					
Opening net book amount	620,060	124,138	68,661	1,167,361	1,980,220
Additions	38,080	-	8,604	6,952	53,636
Disposals	-	-	(985)	-	(985)
Disposal through discontinued operations	(641,861)	(122,830)	(66,295)	(1,105,287)	(1,936,273)
Depreciation charge for the year	(16,279)	(1,308)	(9,985)	(69,026)	(96,598)
<b>Closing net book amount</b>	-	-	-	-	-
At 30 June 2009					
Cost or fair value	-	-	-	-	-
Accumulated depreciation & impairment	-	-	-	-	-
<b>Net book amount</b>	-	-	-	-	-

## Notes to the Financial Statements (continued)

### 13. Property, plant and equipment (non-current) (cont'd)

Consolidated	Land & Buildings \$	Leasehold Improvements \$	Computer Equipment & Software \$	Plant & Equipment \$	Total \$
<b>Year ended 30 June 2010</b>					
At 1 July 2009					
Opening net book amount	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Disposal through discontinued operations	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-
<b>Closing net book amount</b>	-	-	-	-	-
At 30 June 2010					
Cost or fair value	-	-	-	-	-
Accumulated depreciation & impairment	-	-	-	-	-
<b>Net book amount</b>	-	-	-	-	-

(a) Non-current assets pledged as security

As at 30 June 2010, there are no assets pledge as security by the parent entity and its controlled entities. The assets pledged as security in prior year have since been release on settlement of borrowings.

### 14. Intangible assets (non-current)

Year ended 30 June 2009	Liquor Licence \$	Goodwill \$	Total \$
Opening net book amount	187,546	2,283,395	2,470,941
Additions- acquisition	-	-	-
Recovered through disposal of businesses	(187,546)	(2,283,395)	(2,470,941)
Closing net book amount	-	-	-
<b>At 30 June 2009</b>			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Net book amount	-	-	-

## Notes to the Financial Statements (continued)

### 14 Intangible assets (non-current) (cont'd)

	Liquor Licence \$	Goodwill \$	Total \$
<b>Year ended 30 June 2010</b>			
Opening net book amount	-	-	-
Additions- acquisition	-	-	-
Recovered through disposal of businesses	-	-	-
Closing net book amount	-	-	-
<b>At 30 June 2010</b>			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Net book amount	-	-	-

The intellectual property and goodwill represents intangible assets purchased through the effect of a business combination.

The liquor licences represent intangible assets purchased through the effect of a business combination. The useful lives of intellectual property and goodwill were estimated as indefinite and the cost method was utilised for their measurement.

The useful lives of intellectual property and goodwill were estimated as indefinite and the cost method was utilised for their measurement.

#### (a) Impairment test - 2009

Intangible assets were recovered through the sale of the Royal on the Waterfront and Colonial Brewing Co leasehold assets during the year. The carrying value of the assets is nil and no impairment testing is required.

A segment level summary for the goodwill allocation is presented below:

2009	Perth	Margaret River	Total
Goodwill recovered through sale of business	(2,283,395)	-	(2,283,395)
Liquor licence recovered through sale of business	(100,000)	(87,546)	(187,546)
<b>Total intangible assets recovered through sale of business</b>	<b>(2,383,395)</b>	<b>(87,546)</b>	<b>(2,470,941)</b>

## Notes to the Financial Statements (continued)

### 15. Trade and other payables

	2010 \$	Consolidated 2009 \$
Current		
Trade payables	7,908	59,790
Other payables	12,844	16,615
	20,752	76,405

(a) All trade and other payables are expected to be settled within 12 months.

(b) Risk exposure

Details of the Group's exposure to risks arising from trade and other payables are set out in note 5.

### 16. Issued capital

	Note	Consolidated Entity 2010 No.	Consolidated Entity 2010 \$	Consolidated Entity 2009 No.	Consolidated Entity 2009 \$
Ordinary shares					
- Issued and fully paid	(a)	84,934,828	14,232,890	84,934,828	14,232,890
Total consolidated contributed equity		84,934,828	14,232,890	84,934,828	14,232,890

(a) Movements in ordinary share capital

Date	Details	No of shares	Issue price	\$
1 July 2008	Opening balance	40,317,465		12,261,878
21 July 2008	Issue of shares to Directors <sup>1</sup>	1,112,902	\$0.124	138,000
21 July 2008	Issue of shares to Related Parties <sup>2</sup>	887,097	\$0.124	110,000
21 July 2008	Issue of shares under ESOP	150,000	\$0.04	6,000
22 April 2009	Rights issue	4,180,332	\$0.045	188,115
5 May 2009	Rights issue- underwritten portion	38,287,132	\$0.045	1,722,921
	Less: Transaction costs arising on share issue			(194,024)
1 July 2009	Closing Balance	84,934,928		14,232,890
30 June 2010	Closing Balance	84,934,928		14,232,890

<sup>1</sup> Shares issued to Directors were in lieu of 12 months unpaid Director's fees from 1 July 2007 to 30 June 2008.

<sup>2</sup> Shares issued to Related parties were in relation to payments made to a director related company which Mr Ian Macliver is a Director and Shareholder of Grange Consulting Pty Ltd and Max Capital Pty Ltd. The payments to Grange were in lieu of unpaid company secretarial and financial management fees for the period 1 October 2007 to 30 June 2008. Payments to Max Capital were for the corporate advisory on the convertible note issue.

## Notes to the Financial Statements (continued)

### 16. Issued capital (cont'd)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the 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 are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 17. Reserves and accumulated losses

#### (a) Reserves

	2010 \$	Consolidated	2009 \$
Movements in share options reserve were as follows:			
Balance 1 July	1,392,611		854,111
Share based payments reserve (i)	-		538,500
Balance 30 June	1,392,611		1,392,611

#### (i) Share based payments reserve

The Company has 12,000,000 unlisted options over ordinary shares on issue at 30 June 2010, as well as 5,750,000 options on issue to convertible note holders under the terms of the convertible notes. Each option shall entitle the option holder to acquire one share upon payment of the sum of \$0.10 on or before 30 June 2011.

Director options of 12,000,000 were issued in the 30 June 2009 financial year. Each option shall entitle the option holder to acquire one share upon the payment of the sum of \$0.06 on or before 31 December 2011.

## Notes to the Financial Statements (continued)

### 17. Reserves and accumulated losses (cont'd)

#### Nature and purpose of reserve

##### **Share-based payments reserve**

The share-based payments reserve is used to record the value of equity benefits which may be provided:

- to directors on terms determined by the shareholders; and
- to advisers and consultants as payments for services.

#### (b) Accumulated losses

	Consolidated	
	2010	2009
	\$	\$
Balance 1 July	(11,074,036)	(10,337,878)
Net profit/ (loss for the year)	1,451,527	(736,158)
Balance 30 June	(9,622,509)	(11,074,036)

### 18. Related party transactions

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

#### (a) Parent entity

The parent entity within the group is Empire Beer Group Limited and is the ultimate Australian parent.

#### (b) Subsidiaries

Interests in subsidiaries are set out in the table below.

	Country of Incorpor- ation	Class of Shares	% Equity Interest 2010	Invest- ment (\$) 2010	% Equity Interest 2009	Invest- ment (\$) 2009
Colonial Brewing Company Limited	Australia	Ordinary	100	-	100	-
Colonial Brewing Company (North Fremantle) Pty Ltd	Australia	Ordinary	100	-	100	-
Empire Group Hospitality Pty Ltd	Australia	Ordinary	100	-	100	-
Colonial Brewing Company (Vic Park) Pty Ltd	Australia	Ordinary	100	-	100	-
				-		-

#### (c) Director related entities

During the year the parent and its subsidiary made payments to Directors and their related entities for services provided. Details are disclosed at note 23.

## Notes to the Financial Statements (continued)

### 19. Reconciliation of cash flows from operating activities

	2010 \$	Consolidated	2009 \$
Reconciliation of Cash Flow from Operations with Loss after Income Tax			
Profit/(Loss) after income tax for the period	1,451,527		(736,158)
Adjustments for:			
Gain/loss on disposal of plant and equipment	-		(45,369)
Depreciation expense	-		96,599
Reversal of impairment on intercompany loans	-		-
Gain on sale of financial assets through profit or loss	(1,500,970)		(204,444)
Impairment expense	-		-
Share-based payments expense	-		544,500
(Increase)/decrease in trade and term receivables	(18,390)		307,175
(Increase)/decrease in interest receivable	47,222		(47,222)
(Increase)/decrease in inventories	(5,000)		45,925
(Increase)/decrease in prepayments	2,854		(16,092)
Increase/(decrease) in trade payables and accruals	(1,531)		(676,324)
Increase/(decrease) in provisions	-		-
Net Cash outflow from operations	<u>(24,288)</u>		<u>(731,410)</u>

### 20. Share based payments

#### (a) Options

The following share-based payments arrangements to directors, employees and advisors existed at 30 June 2010. All options granted to directors, employees and advisors are for ordinary shares in Empire Beer Group Ltd confer a right of one ordinary share for every option held.

Grant Date	Expiry Date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested & exercisable at end of the year Number
<b>Consolidated Entity 2010</b>								
12 Dec 2008	30 June 2011	\$0.10	5,750,000	-	-	-	5,750,000	5,750,000
15 Apr 2009	31 Dec 2011	\$0.06	12,000,000	-	-	-	12,000,000	12,000,000
Total			<u>17,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,750,000</u>	<u>17,750,000</u>
Weighted Average Exercise Price			\$0.07	-	-	-	\$0.16	\$0.16

During the year 4,500,000 \$0.50 options expired on the 30<sup>th</sup> November 2009.

The weighted average remaining contractual life of share options outstanding at the end of the year was 1 year and 3 months.

## Notes to the Financial Statements (continued)

### 20. Share based payments (cont'd)

#### Fair value of options granted

##### 30 June 2009

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was \$0.018 per option for options issued on 12 December 2008 and \$0.036 per option for options issued on the 15 April 2009. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the 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.

The model inputs for options granted during the year ended 30 June 2009 included:

Options are granted for no consideration and vest based on conditions determined by the board at a general meeting, vested options are exercisable as per the dates below, after vesting and;

<b>Grant date</b>	<b>15 April 2009</b>	<b>12 December 2008</b>
Exercise price	\$0.06	\$0.10
Expiry date	31 December 2011	30 June 2011
Share price at grant date	\$0.065	\$0.04
Expected volatility	115%	115%
Expected dividend yield	Nil	Nil
Risk free rate	3.29%	2.75%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Empire Beer Group Limited for the amount recognised as expense in relation to these options.

#### (b) Employee share scheme

A scheme under which shares may be issued by the company to employees for no cash consideration was approved by general meeting. All Australian resident permanent employees (excluding executive directors, other key management personnel of the Group and the Group company secretary) who have been continuously employed by the Group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be granted up to 150,000 fully paid ordinary shares (and as determined at general meetings) in Empire Beer Group Limited for no cash consideration.

The market value of shares issued under the scheme may be no more than 90% of the market price of the shares by reference to the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the 5 trading days up to and including the date of grant. The shares are then recognised in the balance sheet as an issue of treasury shares (share capital) and as part of employee benefit costs in the period the shares are granted.

During the year there were no shares issued under the Employee Share Scheme.

## Notes to the Financial Statements (continued)

### 20. Share based payments (cont'd)

Offers under the scheme are at the discretion of the company, and no offer may be made unless the executives fulfil their requirements under their executive service agreements as follows:

- The opening of a second venue; and
- That venue achieving in aggregate over four consecutive quarters revenue of \$7 million.

In all other respects the shares rank equally with other fully paid ordinary shares on issue.

	Consolidated	
	2010	2009
	\$	\$
Shares issued under the plan to participating employees	-	6,000
	-	6,000

150,000 ordinary shares were issued to a former director of the Company under their executive services agreement for meeting the requirements under the scheme. These related to the period 30 June 2008, however the expense was recognised in the 2009 financial year.

#### (c) Expenses arising from share based payment transactions

Shares issued to employees	-	6,000
Options issued to employees, directors & advisors	-	538,500
	-	544,500

### 21. Parent Entity Information

The following details information related to the parent entity, Empire Beer Group Limited, as at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2010	2009
	\$	\$
Current assets	6,024,735	4,627,679
Non-current assets	31,479	-
<b>Total assets</b>	<b>6,056,214</b>	<b>4,627,679</b>
Current liabilities	20,750	23,216
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>20,750</b>	<b>23,216</b>
Contributed equity	14,232,890	14,232,890
Retained earnings/ (accumulated losses)	(9,590,037)	(11,021,038)
Option reserve	510,786	510,786
Other reserve	881,825	881,825
<b>Total equity</b>	<b>6,035,464</b>	<b>4,604,463</b>
Profit for the year	1,431,004	614,740
Other comprehensive income/ (loss) for the year	-	-
<b>Total comprehensive income/ (loss) for the year</b>	<b>1,431,004</b>	<b>614,740</b>

## Notes to the Financial Statements (continued)

### 22. Auditor's Remuneration

	Consolidated Entity	
	2010 \$	2009 \$
<b>Audit services</b>		
BDO Audit (WA) Pty Ltd		
<b>Audit and review of financial reports</b>	29,490	46,401
<b>Non-audit services</b>		
<b>Audit-related services</b>		
BDO Corporate Tax (WA) Pty Ltd		
	15,332	13,466

### 23. Key management personnel disclosures

#### (a) Key management personnel compensation

	Consolidated	
	2010 \$	2009 \$
Short-term employee benefits	70,390	189,242
Post- employment benefits	5,400	11,660
Long-term benefits	-	-
Share based payments	-	435,000
	75,790	635,902

#### (b) Equity Instrument disclosures relating to key management personnel

- (i) 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 Section D of the audited Director's Remuneration Report.
- (ii) Option holdings  
The number of options over ordinary shares in the company held during the financial year by each director of Empire Beer Group Limited and other key management personnel of the Group, including their personally related parties, are set out below:

## Notes to the Financial Statements (continued)

### 23. Key management personnel disclosures (cont'd)

#### d) Equity Instrument disclosures relating to key management personnel (cont'd)

#### 2010

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes*	Balance at end of the year	Vested and exercise-able	Unvested
<b>Directors</b>							
Mr Christopher Morris <sup>1</sup>	4,400,000	-	-	-	4,400,000	4,400,000	-
Mr Gregory Bandy <sup>2</sup>	6,800,000	-	-	-	6,800,000	6,800,000	-
Mr Ian Macliver <sup>3</sup>	250,000	-	-	(250,000)	-	-	-
Mr Anthony King <sup>4</sup>	5,487,500	-	-	(187,500)	5,300,000	5,300,000	-
<b>Total</b>	<b>16,937,500</b>	<b>-</b>	<b>-</b>	<b>(437,500)</b>	<b>16,500,000</b>	<b>16,500,000</b>	<b>-</b>

\*Other changes relates to expiration of listed options during the year.

#### 2009

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes*	Balance at end of the year	Vested and exercise-able	Unvested
<b>Directors</b>							
Mr Christopher Morris <sup>1</sup>	2,000,000	2,400,000	-	-	4,400,000	4,400,000	-
Mr Gregory Bandy <sup>2</sup>	2,000,000	4,800,000	-	-	6,800,000	6,800,000	-
Mr Ian Macliver <sup>3</sup>	1,806,179	-	-	(1,556,179)	250,000	250,000	-
Mr Anthony King <sup>4</sup>	687,500	4,800,000	-	-	5,487,500	5,487,500	-
Mr Mel Ashton <sup>5</sup>	514,286	-	-	(514,286)	-	-	-
Ms Kate Lamont <sup>5</sup>	250,000	-	-	(250,000)	-	-	-
<b>Key Management Personnel</b>							
Mr Lyndon Waples <sup>6</sup>	250,000	-	-	(250,000)	-	-	-
<b>Total</b>	<b>7,507,965</b>	<b>12,000,000</b>	<b>-</b>	<b>(2,570,465)</b>	<b>16,937,500</b>	<b>16,937,500</b>	<b>-</b>

<sup>1</sup> Mr Morris was appointed on the 18 March 2009. The unlisted options are held indirectly by Finico Pty Ltd of which Mr Morris is a director and beneficial owner.

<sup>2</sup> Mr Bandy was appointed on the 18 March 2009. 2,000,000 unlisted options (\$0.10, 30 June 2011) and \$4,800,000 unlisted options (\$0.06, 31 December 2011) are held directly by Mr Bandy.

<sup>3</sup> 187,500 unlisted options (\$0.50, 30 November 2009) held by Grange Consulting Group Pty Ltd and 37,500 unlisted options held by Cornela Pty Ltd of which Mr Macliver is a director and beneficial owner. 1,518,679 listed options (\$0.35, 30 November 2008) held by Max Capital Pty Ltd and 37,500 listed options held by Cornela Pty Ltd of which Mr Macliver is a director and beneficial owner expired on the 30 November 2008.

<sup>4</sup> Mr King was appointed on the 18 March 2009. 500,000 (\$0.10, 30 June 2011) unlisted options are held indirectly by Jameker Pty Ltd and 187,500 unlisted options are held indirectly by Grange Consulting Pty Ltd of which Mr King is a director and beneficial owner.

<sup>5</sup> resigned 18 March 2009

<sup>6</sup> Mr Waples resigned from the Company on settlement of the sale of leasehold assets 23 November 2008.

\* other changes include adjustments to directors and key management personnel options holding.

## Notes to the Financial Statements (continued)

### 23. Key management personnel disclosures (cont'd)

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Empire Beer Group Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

#### 2010

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
<b>Directors</b>				
Mr Christopher Morris	31,960,607	-	-	31,960,607
Mr Gregory Bandy	170,000	-	330,000	500,000
Mr Ian Macliver	4,379,681	-	817,001	5,196,682
Mr Anthony King	5,216,627	-	885,256	6,101,883
<b>Total</b>	<b>41,726,915</b>	<b>-</b>	<b>2,032,257</b>	<b>43,759,172</b>

#### 2009

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
<b>Directors</b>				
Mr Christopher Morris <sup>1,6</sup>	6,316,123	-	25,644,484	31,960,607
Mr Gregory Bandy <sup>6</sup>	100,000	-	70,000	170,000
Mr Ian Macliver <sup>2</sup>	2,115,352	-	2,264,329	4,379,681
Mr Anthony King <sup>3,6</sup>	2,812,452	-	2,404,175	5,216,627
Mr Mel Ashton <sup>4</sup>	157,142	-	(157,142)	-
Ms Kate Lamont <sup>4</sup>	-	-	-	-
<b>Key Management Personnel</b>				
Mr Lyndon Waples <sup>5</sup>	30,000	-	(30,000)	-
<b>Total</b>	<b>11,531,069</b>	<b>-</b>	<b>30,195,846</b>	<b>41,726,915</b>

(e) Loans to key management personnel

There were no loans made or outstanding to directors of Empire Beer Group Limited and other key management personnel of the Group, including their personally related parties.

(f) Other transactions with key management personnel

Messrs: Mr Macliver and Mr King are Directors in the firm of Grange Consulting Pty Ltd, Corporate Advisors. Grange Consulting has provided corporate advisory services to Empire Beer Group Limited and its subsidiaries during the year on normal commercial terms and conditions.

Messrs: Mr Macliver and Mr King are Directors in the firm of Max Capital Pty Ltd, Corporate Advisors. Max Capital has provided corporate advisory services to Empire Beer Group Limited and its subsidiaries during the year on normal commercial terms and conditions.

## Notes to the Financial Statements (continued)

### 23. Key management personnel disclosures (cont'd)

During the year, Max Capital received commissions as part of services provided with respect to the raising of capital from a number of companies in which Empire participated. These commissions, were paid on an arm's length basis and on normal commercial terms.

A Director, Mr Morris, is the Executive Chairman and major shareholder of Computershare Limited. Computershare Limited has provided share registry services to Empire Beer Group Limited during the year on normal commercial terms and conditions. The services agreement was in place prior to Mr Morris's appointment.

Mr Bandy is employed by Patersons Securities Limited as a Senior Private Client Advisor. Patersons Securities Limited has provided brokerage services to Empire Beer Group Limited on normal commercial terms and conditions. Patersons charges a 1% brokerage fee on any securities trading. Mr Bandy receives 45% of this brokerage fee personally as a commission from Patersons.

#### List other transactions

Aggregate amounts of each of the above types of other transactions with key management personnel of Empire Beer Group Limited:

	2010 \$	2009 \$
<b>Amounts recognised as expense</b>		
Capital raising fees	-	115,202
Corporate advisory fees (company secretarial & financial management)	63,000	135,799
Share registry fees (including rights issue fees)	12,001	14,024
Brokerage	41,597	-
	116,598	265,025

### 24. Dividends paid or proposed

There were no dividends paid or proposed during the year.

### 25. Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year.

### 26. Events after the balance sheet date

There were no events after the balance sheet date.

### 27. Commitments

There were no commitments as at balance sheet date.

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cashflows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001, and:
  - (i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) The remuneration disclosures included in the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.
- (d) The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Reporting Standards.
- (e) The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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;



**Christopher Morris**  
**Non-Executive Chairman**

**Perth, Western Australia, 31 August 2010**

## Corporate Governance Statement

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Empire Beer Group Limited ("Empire" or "Company"). The Board of Directors ("Board") supports a system of corporate governance to ensure that the management of Empire is conducted to maximise shareholder wealth in a proper and ethical manner.

### ASX Corporate Governance Council Recommendations

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles and Recommendations 2<sup>nd</sup> Edition") where considered appropriate for company of Empire's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Trading in Securities, Continuous Disclosure, Shareholder Communication and Risk Management Policies. Further details in respect to the Company's corporate governance practises are summarised below and copies of Company's corporate governance policies are available of the Company's web site at [www.empirebeergroup.com.au](http://www.empirebeergroup.com.au).

The Board sets out below its "if not why not" approach where the Company's practice departs from the Recommendations. All Recommendations have been applied for the financial year ended 30 June 2010 unless set out below:

#### Principle 2 Recommendation 2.1,2.2

**Notification of Departure:** The majority of the Board are not considered independent and the Chair should be an independent director.

**Explanation of Departure:** Requires a majority of the Board to be independent and the Chair to be independent. The Director's of the Company are not considered to be independent under definitions contained in the Box 2.1 of the ASX Principles and Recommendations. All current Non-Executive Directors are related parties to (Directors and Shareholders) "substantial shareholders" of the Company. The Board has considered the Recommendation and determined that the current Directors are suitably qualified and experienced to contribute to the board and management and to act in the best interests of the Company and its Shareholders. The Board will reassess the independence of each Director as required and will consider the need for majority independent directors when there is a clear commercial direction for the Company. Since the Board changes on the 18<sup>th</sup> March 2009, the non-executive directors have not incurred fees.

#### Principle 2 Recommendation 2.4:

**Notification of Departure:** A separate nomination committee has not been formed.

**Explanation of Departure:** Requires listed entities to establish a nomination committee. Given the current size of the Board and the Company, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's Charter.

#### Principle 4 Recommendation 4.1

**Notification of Departure:** A separate audit committee has not been formed.

## Corporate Governance Statement (continued)

**Explanation for Departure:** Requires listed entities to establish as separate audit committee. Given the current size of the Company, the Board considers that this function is efficiently achieved by the full board in accordance with the guidelines set out in the Board's Charter and the Audit Committee Charter. The full Board conducts a review of the Company's financial statements at each financial reporting date and liaises with the Company's auditors as necessary.

### Principle 8 Recommendation 8.1

**Notification of Departure:** There was no separate remuneration committee.

**Explanation for Departure:** Requires listed entities to establish a nomination committee. Given the current size of the Board and the Company, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's Charter.

In addition, all matters of remuneration will continue to be determined in accordance with *Corporations Act* requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding their own remuneration or related issues.

### **Roles of the Board and Management**

The Board considers that the essential responsibilities of the Directors are to oversee Empire's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include:

- contributing to the development of and approving corporate strategy;
- appoint and review the performance of the Managing Director/ chief executive officer;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- arrange for effective budgeting and financial supervision;
- ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that financial, operational, compliance and risk management controls function adequately;
- ensure that appropriate audit arrangements are in place; and
- reporting to shareholders.

### **Board Structure**

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- the Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- the Chairman should be non executive;
- the Board should not comprise a majority of Executive Directors and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience.

## Corporate Governance Statement (continued)

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Chairman reviews the performance of all Directors each year.

### Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the Board Charter requires the Board to include a majority of non executive independent Directors and a non executive independent Chairman.

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("**Independence Criteria**"). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Detailed in the notification of departure from "principle 2" previously, all three non-executive directors are not considered to be independent based on the "independence criteria".

Mr Christopher Morris is not considered to be independent as he does not satisfy item 1 of the relationships affecting a Directors independence outlined in Box 2.1 of the Recommendations as Mr Morris is a substantial shareholder of the company as defined in section 9 of the Corporations Act.

Mr Macliver and Mr King, both principals of Grange Consulting Group and Max Capital Pty Ltd, which provides company secretarial, corporate advisory and financial support services to the Company. In considering Messrs Macliver and King's independence, the Board took into account the principal amount of fees paid to Grange Consulting Group and Max Capital which is not considered material. It is noted that Mr Macliver did not vote on any resolution in respect of the services provided and the fees payable to Grange Consulting Group and/or Max Capital. In addition, there are no other aspects of the relationship with Grange Consulting Group and/or Max Capital that could materially interfere with or be likely to interfere with the exercise by Mr Macliver of unfettered and independent judgement as a Director.

Mr Macliver and Mr King are both principals of Grange Consulting Group Pty Ltd and Max Capital Pty Ltd and are not considered to be independent and do not satisfy item 1 of the relationships affecting a Directors independence outlined in Box 2.1 of the Recommendations as Mr Macliver and Mr King are substantial shareholders of the Company as defined in section 9 of the Corporations Act.

In noting that all three non-executive directors do not meet the independence criteria the Board has considered the Recommendation and determined that the current Directors are suitably qualified and experienced to contribute to the board and management and to act in the best interests of the Company and its Shareholders. The Board will reassess the independence of each Director as required and will consider the need for majority independent directors when there is a clear commercial direction for the Company. Since the Board changes on the 18<sup>th</sup> March 2009, the non-executive directors have not incurred fees. This will be reviewed from 1 July 2010, no decision on remuneration has been made at the date of this report.

### Meetings of the Board

The Board meets as and when required but at least quarterly times to consider the business of Empire Beer Group Limited, its financial performance and other operational issues.

## Corporate Governance Statement (continued)

### Nomination and appointment of new Directors

Recommendations of candidates for new Directors are made by the Board as a whole.

### Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Given the size and nature of the Company's activities the Board reviews the performance of Directors and the composition of the Board, at regular intervals during the year, or as deemed necessary.

### Directors' Remuneration

The remuneration of non executive Directors is different to that of executives. Executive Directors receive a salary and may receive other benefits.

Non executive Directors receive a set fee per annum, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Director's fees the Board takes into account any changes in the size and scope of Empire's activities. Currently the Non-executive Directors have a nil set fee which is to be reviewed from 1 July 2010.

The Board will review the remuneration and policies applicable to all Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior Executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for Directors are set out in the Directors Report.

### Board Access to Information

All Directors have unrestricted access to all employees of the Company and, subject to the law, access to all Company records and information held by an employees and/or external advisers. The Board receives regular detailed financial and operational reports to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

### Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities and is governed by the Audit Committee Charter, as approved by the Board.

## Corporate Governance Statement (continued)

### 1. Nomination Committee

The full Board carries out the role of the nomination committee. The full Board did not officially convene as a nomination committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required.

### 2. Audit Committee

The full Board carries out the role of an audit committee. The full Board did not officially convene as an audit committee during the Reporting Period, however audit related discussions occurred from time to time during the year as required. Details of each of the director's qualifications are set out in the Director's Report.

All of the directors consider themselves to be financially literate and have industry experience. In particular, Mr Macliver and Mr King each has a Bachelor of Commerce Degree and are Chartered Accountants.

#### 2.1 Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, Empire's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts. The Auditor attends and is available to answer questions at, the Company's annual general meetings.

#### 2.2 Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this annual report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

### 3. Remuneration Committee

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board did not officially convene as a remuneration committee during the Reporting Period, however remuneration related discussions occurred from time to time during the year as required.

### Share Trading

Under the Company's Share Trading Policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results and disclosure documents.

In addition, in order to trade, Directors of the Company must advise the Chairman of their intention to trade and must also have been advised by the Chairman that there is no known reason to preclude them trading in the Company's shares or other securities.

## Corporate Governance Statement (continued)

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX's securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Chairman in relation to continuous disclosure matters. The Chairman is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

### Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

It is the Board's responsibility to ensure that all staff are aware of the Company's Code of Conduct and to ensure that any individual who does not adhere to these ideals is dealt with appropriately by executive management. Appropriate action may be counselling, disciplinary action or termination of employment.

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community.

### Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Empire Beer Group Limited. Information is communicated to shareholders through the distribution of annual reports; and by presentation to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Empire Beer Group Limited throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and posted on the Company's website located at [www.empirebeergroup.com.au](http://www.empirebeergroup.com.au).