

## Chairman's Letter

Dear Shareholders

It is my pleasure to present to you the 2010 Annual Report of the Company.

Following the successful completion of a number of development projects in 2009, I am pleased to report that these projects are now delivering increased returns to our core business with both our new and existing products gaining and maintaining wide consumer acceptance.

2010 will be remembered as a year during which we were able to successfully integrate the newer operations with our existing businesses and introduce a unique core product to the market in White Rabbit. Our existing products also continued to be well received by our customers which was pleasing in a competitive market space.

The Fremantle operations have performed well with a strong focus on consistency and quality driving our everyday activities. During the year, we introduced the Single Batch range with the first two batches of India Pale Ale (IPA) and Brown Ale proving to be very popular. We now look forward to what the brewers will present in 2011.

The White Rabbit brewery is coping well with increased demand for White Rabbit product nationally. The Dining Hall venue in Fitzroy, Victoria has continued to provide an accessible touch point for our products and customers in that market as well as a base for our Victorian based management team.

Our financial achievements included:

- a 18.2% increase in revenue to \$56.4M (2009: \$47.7M);
- a 28.0% increase in EBITDA to \$12.8M (2009: \$10.0M);
- a 51.1% increase in net profit after tax to \$6.8M (2009: \$4.5M); and
- an increase of 98.0% in the annual dividend from 4.8 cents per share to 9.5 cents per share.

Following the increase in our profit performance, the Board has been able to increase the dividend rate, while retaining adequate financial capacity within the business to allow growth opportunities to be properly considered.

Operationally, the business is in good hands, with recent changes at the management level allowing the business to pursue its growth potential under the guidance of Nic Trimboli and Howard Cearnas. This pleasing result would not be possible without the dedicated LWB team throughout Australia and their passion, enthusiasm and commitment is commended.

I would also like to thank my fellow Board members for their positive contributions during the year and look forward to seeing some of you at the Annual General Meeting later this year.

Yours sincerely



Ian Cochrane  
Chairman

# Review of Operations 2009-2010



Over the past decade, Little Creatures Brewing has established a significant presence in the Australian beer industry with unique quality products positioned in premium market segments.

In 2005, the company listed on the Australian Stock Exchange (ASX) as Little World Beverages (LWB) and has since set about establishing a platform for growth to build long term brand and shareholder value. The past year's operations have strengthened the company's market position and delivered an increase in net profit of 51.1% to \$6.8m, and a 9.5 cents per share full year dividend payment, an increase of 98% on the prior year.



The determined commitment to product quality and product innovation remains the key driver of success.

The now upgraded Fremantle brewery is highly focused on improvements to operational effectiveness and quality with a dedicated team continuing to achieve new benchmarks.





Early in the year, the company's White Rabbit Brewery launched its open fermented dark ale and more recently, the Belgian inspired white ale. The trade and consumer response has been exciting, with particularly positive signs emerging in the White Rabbit Brewery's home state of Victoria. The distinctive characteristics of the White Rabbit ales are derived from the malt ingredients and their special yeast activation through the open fermentation process. With the White Rabbit ales alongside the hop inspired Little Creatures beers, the LWB portfolio is increasingly well balanced and carefully focused.



The Healesville based White Rabbit team have worked hard to commission the brewing and packaging facility to meet the expanded consumer demand.



The Little Creatures brewery revealed its highly anticipated "Single Batch" brand in the custom designed pint bottle format. The Single Batch series allows the brewers to explore brewing different styles in limited production quantities. Two brews, the India Pale Ale and the Brown Ale have been released over the past months with very favourable responses.

The LWB national sales team has had success in growing the distribution base and subsequently sales, particularly on the east coast where considerable effort has been invested. South Australia and Tasmania are fledgling markets where increased representation is showing good results. Internationally, LWB products continue to be represented by strong agents in the United Kingdom, Singapore, and New Zealand.



The cider brand Pipsqueak continues to perform well in a fast growing segment, as does the English import Aspell, represented in Australia by LWB. The Stone & Wood Brewing Company based in Byron Bay in which the company has a 20% interest, released the excellent "Draught Ale" to go alongside the "Pale Lager" launched last year. Sales are growing and the brand is expected to become a strong performer in the craft segment.

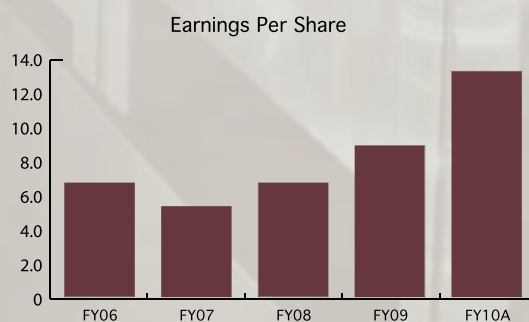
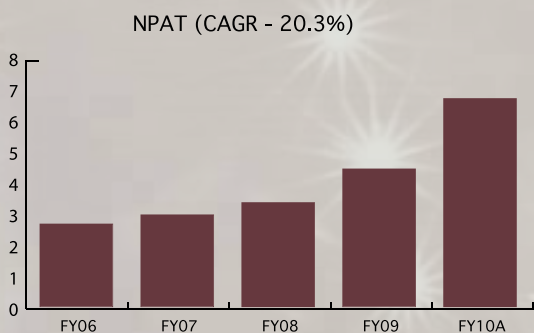
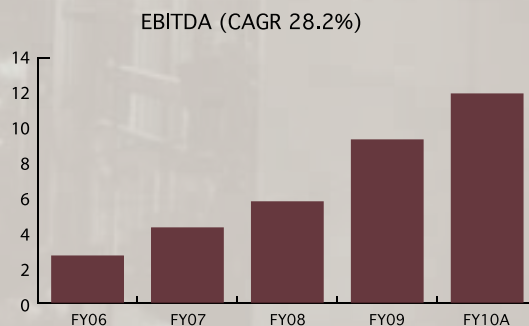
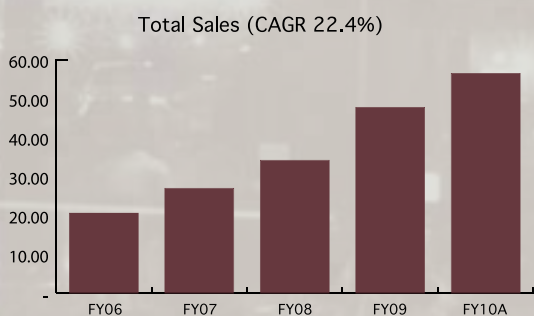
The cellar door at Fremantle and the Little Creatures Dining Hall in Melbourne (Fitzroy) continue to showcase our range of products to the consumer in an environment constructed to provide friendly and informative service. Both venues have performed very well and continue to play a vital role in reflecting the organisational culture.



# Financial Results

Total revenue for the year grew 18% to \$56.4 million (2009: \$47.4 million), while earnings before interest, tax depreciation and amortization ("EBITDA") for the year of \$12.8 million (2009: \$10.0 million) was 28% above the previous period.

The Company achieved a net profit after tax of \$6.8 million (2009: \$4.5 million) representing an increase of 51.1% on the previous year. Operating cash flow decreased by 2% during the period from \$8.1 million to \$7.9 million. Earnings per share for the year ended 30 June 2010 was 11.5 cents (2009: 7.67 cents), and diluted earnings per share was 10.0 cents (2009: 6.66 cents).



# Directors' Report

## For the year ended 30 June 2010

The directors present their report together with the financial report of Little World Beverages Limited (the Company) and of the Group, being the Company and its subsidiaries for the year ended 30 June 2010 and the auditor's report thereon.

### Directors

The directors of the Company at any time during or since the end of the financial year are:

Ian Cochrane (Chairman)  
Howard Cearns  
Adrian Fini  
David Martin  
Jamie Tomlinson  
Nic Trimboli

### Principal activities

During the year, the principal continuing activities of the Group consisted of brewing and distributing beer and cider nationally and internationally from operations in Fremantle, Healesville and Melbourne.

### Dividends

Dividends totalling \$4,141,317 were paid during the year. No further dividends were declared during the year ended 30 June 2010 (2009: \$2,719,003). Dividends were fully franked at 30%.

In addition to the above dividends, since the end of the financial year the directors have declared a final ordinary dividend of 5.0 cents per ordinary share to be paid on 30 September 2010 out of retained profits at 30 June 2010.

### Operating and financial review

Following recent expansion in its operating base, the Group continued to conduct its operations from the Little Creatures Brewery in Fremantle Western Australia and the White Rabbit Brewery in Healesville Victoria. These operations are supported by the administration and packaging facility in O'Connor, Western Australia and the Dining Hall venue in Fitzroy Victoria.

Both breweries were in production for the full year, supplying the national market through a dedicated sales team and direct to customers through the Fremantle, Healesville and Fitzroy venues.

The Group's operating profit after income tax for the year was \$6,790,960 (2009: \$4,533,265).

### Significant changes in the state of affairs

There were no other significant changes in the nature of the activities of the Group during the year.

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

No matters or circumstances have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

The Group will continue to operate its existing facilities, to pursue new product development and to expand its distribution of packaged and draught beer and cider both nationally and internationally.

## Environmental regulation

The Group's operations are subject to environmental regulations in relation to noise, odour and waste management. The regulations are monitored by local councils in accordance with applicable legislation.

The management of the Group monitors compliance with environmental regulations. The directors are not aware of any material breaches during the financial year covered by this report.

## Rounding of amounts to the nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the director's report. In accordance with that Class Order amounts in this report have been rounded off to the nearest thousand dollars, or in certain circumstances to the nearest dollar.

## Information on Directors

The directors of the Company at any time during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>
<b>Ian Cochrane</b> BCom LLB Chairperson Independent Non-executive Director	Corporate Lawyer. Extensive experience in asset and company acquisitions, capital raisings, and publicly listed company governance and shareholder relations. Director and Chairman of the Board of Little World Beverages Limited since 2005. Chairman of the Nomination & Remuneration Committee. Director of West Australian Ballet Inc since 2001.
<b>Howard Cearns</b> BBus Non-Independent Executive Director	A founding shareholder and director of the Group who played a lead role in establishing the concept, strategies and brand. Extensive experience in brand management and product innovation with a particular depth of experience in the food and beverage sector. Director of Little World Beverages Limited since 1998. Member of the Nomination & Remuneration Committee.
<b>Adrian Fini</b> BCom Non-Independent Non-executive Director	A founding shareholder and director of the Group. Experienced in property investment and management, property development and hotel management. Director of Little World Beverages Limited since 1999. Chairman of the Audit & Finance Committee. Currently a Board member of the Art Gallery of Western Australia and the University of Western Australia Business School and is a former director of Mirvac Group Ltd (2006–2010).
<b>David Martin</b> LLB, GIACD Non-Independent Non-executive Director	A founding shareholder and director of the Group. Extensive experience in the areas of corporate and finance law, including three years as General Counsel of Woodside Petroleum Ltd. Director of Little World Beverages Limited since 1999. Member of the Audit & Finance Committee since November 2007. Chairman of Nickelore Limited from 2007 to 2009.
<b>Jamie Tomlinson</b> BBS Non-Independent Non-executive Director	Chief Financial Officer of Lion Nathan National Foods Pty Limited. Extensive industry experience in beer and soft drinks and expertise in finance, accounting, corporate governance, strategy, treasury, investor relations and mergers and acquisitions. Director of Little World Beverages Limited since 2000. Member of the Audit & Finance Committee.
<b>Nic Trimboli</b> BCom Non-Independent Executive Director	A founding shareholder and director of the Group who played a lead role in establishing the concept, strategies and operational structures. Extensive experience in retail marketing and management with a particular interest in the hospitality industry. Director of Little World Beverages Limited since 1998. Member of the Nomination & Remuneration Committee.

## Directors' Report (continued)

For the year ended 30 June 2010

### Company Secretary

Kylie Webster was appointed to the position of Company Secretary in 2003. Kylie has several years' experience in the hospitality and brewing industry, having held a number of administrative and accounting positions within the industry. Kylie has a Bachelor of Business and has completed the Institute of Chartered Accountants' CA Program.

### Directors' meetings

The number of directors' meetings (including meetings of Committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board meetings		Audit & Finance Committee meetings		Nomination & Remuneration Committee meetings	
	A	B	A	B	A	B
Ian Cochrane	6	7	n/a	n/a	1	1
Howard Cearns	7	7	n/a	n/a	1	1
Adrian Fini	7	7	6	7	n/a	n/a
David Martin	7	7	7	7	n/a	n/a
Jamie Tomlinson	7	7	7	7	n/a	n/a
Nic Trimboli	7	7	n/a	n/a	1	1

A = number of meetings attended.

B = number of meetings held during the time the director held office during the year.

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

### Directors Interests

The relevant interest of each director in the shares and options issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with s295G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Little World Beverages	
	Ordinary shares	Options over ordinary shares
Ian Cochrane	147,500	–
Howard Cearns	4,303,800	3,000,000
Adrian Fini	10,394,621	–
David Martin	4,550,000	–
Nic Trimboli	4,860,000	3,000,000

## Contracts with directors

### Howard Cearns

The Group has entered into a consultancy deed with The Shower Pty Ltd (an associated entity of Howard) under which The Shower Pty Ltd is engaged to provide the services of Howard in relation to strategic planning, marketing and promotion of the Group's brands and its domestic and international distribution strategies.

### Adrian Fini

The Group sub-leases from Fini Group Pty Ltd, a company associated with Adrian, the premises located at 40 Mews Road, Fremantle, which is a part of the main operating location of the Group.

### Nic Trimboli

The Group has entered into a consultancy deed with Nic under which he is engaged to provide assistance to and mentoring of the management team, and operational and strategic advice to the Group.

## Remuneration Report – audited

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

### A Principles used to determine the nature and amount of remuneration – audited

The Group's remuneration arrangements are overseen by the Nomination & Remuneration Committee, which currently consists of Ian Cochrane, Howard Cearns and Nic Trimboli. The Committee's activities are governed by its Charter, a copy of which is available online at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

#### Board policy

The Group has not adopted a formal Board policy in relation to the remuneration of its people. However, it is the intention of the Board to ensure that our people are remunerated in a nature and amount that is market competitive.

When determining appropriate remuneration levels for directors, secretaries and senior executives, the Board will consider a range of factors including:

- the particular skills and abilities of the director, secretary or senior executive;
- equivalent remuneration levels in similar sized entities in similar industries;
- the impact of remuneration levels on the overall financial performance of the Group;
- the suitability of share-based incentive arrangements.

The Board may, from time to time, engage external consultants to assist in determining appropriate remuneration levels.

The Nomination & Remuneration Committee monitors and assesses the relationship between the performance of the Group and the implementation of the Board's intent regarding the remuneration of our people. The level and structure of remuneration of most people involved in the management of the Group, including the key management personnel identified on page 12, varies depending upon the role of the person. Each member of the senior executive team has key performance indicators based upon his or her particular responsibilities and accountabilities and contribution to the leadership and culture of the organisation.

Remuneration packages include a mix of fixed and variable compensation, and long-term performance-based incentives.

## Directors' Report (continued)

For the year ended 30 June 2010

### A Principles used to determine the nature and amount of remuneration – audited (continued)

#### Non-executive directors' pay

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination & Remuneration Committee. The Chairman's fees are determined separately from the fees of other non-executive directors. The Chairman is not present at any discussions relating to determination of his own remuneration.

The current base remuneration was last reviewed with effect from 10 November 2007. All directors' remuneration is inclusive of Committee fees and statutory superannuation. Directors' fees are determined within an aggregate directors' fee pool limit, which currently stands at \$500,000 per annum. The pool limit will be periodically recommended for approval by shareholders.

From time to time, directors may be paid additional remuneration for the performance of extra services or special exertions for the benefit of the Group, as provided for in the Company's constitution.

Details of fees paid to non-executive directors are set out in the table on page 12.

#### Executive pay

The executive pay and reward framework consists of the following components:

- Base pay;
- Longer-term incentives through participation in the Group's Achievement Rights Plan;
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

#### Base pay

Base pay is structured as a total employment cost package that may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered competitive base pay. Where required, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

#### Retirement Benefits

Executives are paid the statutory superannuation guarantee amount of 9% of their base pay to the superannuation fund of their choice.

#### Achievement Rights Plan

See part D below for a discussion of the Group's Achievement Rights Plan.

### B Details of remuneration (audited)

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group are set out in the table on page 12.

The key management personnel of the Company and of the Group are the same.

The award of achievement rights to an eligible executive is dependent on the satisfaction of performance conditions as set out in Section E below. All other elements of remuneration are not directly related to performance. As at 30 June 2010, the key management personnel eligible to participate in the Achievement Rights Plan were Ross Sudano, Miles Hull, and Alex Troncoso.

## C Service agreements (audited)

Remuneration and other terms of employment for certain directors and other key management personnel are formalised in service agreements.

It is the Group's policy that service agreements for key management personnel are unlimited in term but capable of termination on between 1 and 3 months notice and that the Group retains the right to terminate the contract immediately, by making payment in lieu of notice.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service agreement outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year except to state that remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Howard Cearns and Nic Trimboli, directly or via related bodies have Consultancy Deeds with the Company. The contracts are for an unlimited term and, except in the case of material breach, are capable of termination on 6 months notice by the consultant. The remuneration payable under the agreements is reviewed annually and further payments may be made for work performed in addition to contracted requirements.

## D Share-based compensation (audited)

### Options

As part of their remuneration for providing services to the Group, 3,000,000 options were granted to each of Howard Cearns and Nic Trimboli in the year ended 30 June 2006. No options were granted during the year ended 30 June 2010.

Each option entitles the holder to subscribe for and be allotted one Share at an exercise price of \$1.00 per share. The options are only capable of exercise for three calendar months commencing on 10 August 2010 (Vesting Date). If the Consultancy Deed between the Group and the consultant is terminated prior to the Vesting Date, the options shall automatically lapse. The options carry no dividend or voting rights.

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

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
10 November 2005	10 November 2010	\$1.00	\$0.2429	Between 10 August 2010 and 10 November 2010

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. Fair values at grant date are 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 2006 included:

- options are granted for no consideration, and all options vest and are exercisable 57 months from the grant date;
- exercise price: \$1.00;
- grant date: 10 November 2005;
- expiry date: 10 November 2010;
- share price at grant date: \$1.00;
- expected price volatility of the Company's shares: 30%;
- expected dividend yield: 4.0%;
- risk-free interest rate: 5.38%.

No options were exercised during the year ended 30 June 2010.

# Directors' Report (continued)

For the year ended 30 June 2010

In AUD	Short-term benefits			Post-Employment	Other long term	Share-based payments		S300A (1) (e)(i) 6 proportion of remuneration performance related %	S300A (1) (e)(vi) 6 Value of options as a proportion of remuneration %
	Salary & Fees \$	Non-monetary benefits \$	Total \$			Super-annuation benefits \$	Termination Benefits \$		
Directors									
Non-executive directors									
Ian Cochrane (Chairman)	2010	80,000	1,589	-	-	-	-	-	-
	2009	80,000	1,954	-	-	-	-	-	81,589
Adrian Fini <sup>1</sup>	2010	-	1,444	-	-	-	-	-	81,954
	2009	-	1,825	-	-	-	-	-	1,444
David Martin	2010	42,622	1,521	3,836	-	-	-	-	1,825
	2009	42,472	1,374	3,822	-	-	-	-	47,979
Jamie Tomlinson <sup>1</sup>	2010	-	1,657	-	-	-	-	-	47,668
	2009	-	1,882	-	-	-	-	-	1,657
Executive directors									
Howard Cearns <sup>2</sup>	2010	198,158	1,263	199,421	-	-	145,743	-	345,164
	2009	367,302	1,495	368,797	-	-	145,743	-	514,540
Nic Trimboli	2010	226,098	1,168	227,266	-	-	145,743	-	373,009
	2009	356,699	890	357,589	-	-	145,743	-	503,332
Company secretary									
Kylie Webster <sup>3</sup>	2010	50,000	-	50,000	-	-	-	-	50,000
	2009	101,687	-	101,687	6,210	-	-	-	107,897
Executives									
Ross Sudano, COO	2010	298,165	2,011	300,176	26,835	-	47,705	12.7	374,716
(appointed 4 May 2009)	2009	45,872	322	46,194	4,128	-	-	-	50,322
Alex Troncoso, Chief	2010	160,984	153	161,137	14,488	-	25,414	12.6	201,039
Brewer	2009	153,101	-	153,101	13,779	-	25,026	13.0	191,906
Jason Markwart, CFO	2010	116,443	229	116,672	10,480	-	-	-	127,152
(appointed 9 November 2009)	2009	-	-	-	-	-	-	-	-
Miles Hull, Head of	2010	162,451	377	162,828	14,620	-	18,840	9.6	196,288
Marketing	2009	146,009	-	146,009	13,141	-	21,846	12.1	180,996
Stewart Wheeler, Head of	2010	27,500	-	27,500	2,475	-	-	-	29,975
hospitality (appointed 12	2009	-	-	-	-	-	-	-	-
April 2010)									
Former									
Todd Morcombe, CFO	2010	88,555	-	88,555	7,970	-	-	-	96,525
(resigned 15 November	2009	183,486	-	183,486	16,514	-	-	-	200,000
2009)									
Richard Sweet, Head	2010	79,785	-	79,785	7,181	-	-	-	86,966
of Sales (resigned 10	2009	148,836	258	149,094	13,395	-	14,312	8.1	176,801
September 2009)									

1. Jamie Tomlinson and Adrian Fini have not been paid fees in their capacity as directors. An amount equal to the fees foregone is paid by the Group to a non-profit organisation or organisations active in the Fremantle area.

2. Payments were made to The Shower Pty Ltd, an entity associated with Howard Cearns

3. Kylie Webster's remuneration for 2009 includes an amount of \$68,995 paid in her capacity as Commercial Manager which she was employed as until 31 October 2008.

## D Share-based compensation (audited) (continued)

### Achievement Rights Plan

Some key management personnel and other specified team members have been invited to participate in the Group's Achievement Rights Plan, as part of their remuneration.

Participation in the Plan is by invitation of the Board and is subject to the following performance criteria:

- 1) Under the operation of the Plan, the vesting terms are for a period of two years.
- 2) Achievement Rights will be granted based on the Board's assessment of the achievement of pre-determined Key Performance Indicators (KPIs) relevant to the team member.

The aim of the Achievement Rights Plan is to attract and retain high calibre people, while aligning the interests of our organisation with the shareholders of the Group and providing some form of longer-term incentive.

Each year, the Nomination & Remuneration Committee considers the appropriate targets and KPIs for each executive. The Committee is responsible for assessing whether the KPIs are met. In assessing the number of rights for which the executive will be invited to apply, the Committee applies the following formula to determine the maximum number of rights:

$$P = \frac{p \times BS}{S}$$

Where

- P = the maximum number of Achievement Rights for which the executive will be invited to apply.
- p = pre-determined percentage of base salary.
- BS = the base salary payable under the executive's contract of employment in respect of the relevant financial year.
- S = the volume weighted average price of shares traded on Australian Stock Exchange Limited for the 30 days following release of the Company's annual results for the preceding financial year.

The number of rights for which each participating executive is invited to apply is adjusted up or down by an amount determined by the Committee having regard to the extent to which KPIs relevant to the executive have been met.

The Committee has assessed whether KPIs for the year ended 30 June 2010 were met by each of the eligible executives and an accrual of \$185,236 (2009: \$111,786) has been made in respect of Achievement Rights granted in relation to the financial year.

Once vesting conditions are satisfied, an executive will be entitled to one ordinary share for each vested Achievement Right. The executive may then elect to exercise the vested Achievement Rights and request that the Company arrange for the transfer the relevant number of shares to the executive. The Company may choose to purchase the shares on-market for transfer to the executive, or alternatively may issue the required number of shares to the executive.

## E Additional information (audited)

*Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance*

The relationship between the performance of the Group and the implementation of the Board's remuneration strategy is monitored and assessed on a regular basis. Each year the remuneration committee sets the key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the Group, the relevant area of control, and the individual, and include financial, strategic and risk measures. The measures are chosen as they directly align the individual's rewards to the KPIs of the Group and its strategy and performance.

At the end of the financial year the Nomination and Remuneration Committee assesses the actual performance of the Group, the relevant area of control and individual against the KPIs set at the beginning of the financial year.

## Directors' Report (continued)

For the year ended 30 June 2010

### E Additional information (audited) (continued)

#### Consequences of performance on shareholder wealth

The relationship between the performance of the Group and the implementation of the Board's remuneration strategy is monitored and assessed on a regular basis. In assessing the Group's performance and benefits for shareholder wealth the following indices are considered in respect of the current financial year and the previous three financial years.

	2010	2009	2008	2007
Net profit attributable to equity holders of the parent	<b>6,790,960</b>	4,533,265	3,412,682	2,984,151
Dividends paid	<b>\$0.095</b>	\$0.048	\$0.043	\$0.041
Share price	<b>\$2.39</b>	\$1.65	\$1.50	\$1.685
Annual total shareholder return	<b>50.6%</b>	13.2%	(8.4%)	40.3%
Three year total shareholder return	<b>52.9%</b>	44.9%	60.5%	74.7%

#### Satisfaction of performance conditions

As outlined in part D above, some key team members receive part of their total remuneration in the form of Achievement Rights, the issue of which is subject to the satisfaction of relevant KPI's.

Each executive has their own areas of accountability and the KPIs have been chosen to reflect this.

The Nomination & Remuneration Committee meets after the results for the relevant financial year have been determined to discuss each executive's performance against KPIs related to areas such as occupational health and safety, financial performance, culture and sales performance and decide whether to grant Achievement Rights. The Committee is of the view that the assessment of performance against KPIs requires judgment to be exercised and have therefore chosen a method of assessment that is not a mechanical process.

#### Details of remuneration: cash bonuses, Achievement Rights and options

The Group does not normally pay short-term cash bonuses to directors or other key management personnel. No cash bonuses were paid during the year ended 30 June 2010 to key management personnel.

Details of the vesting profile of share-based compensation for the directors and key management personnel are detailed below:

#### Achievement Rights

	Granted %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which Achievement Rights may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
<b>Ross Sudano</b>	<b>80</b>	<b>20</b>	<b>2010</b>	<b>50</b>	–	<b>30/6/2011</b>	<b>23,852</b>	<b>23,852</b>
<b>Miles Hull</b>	<b>60</b>	<b>40</b>	<b>2010</b>	<b>50</b>	–	<b>30/6/2011</b>	<b>9,420</b>	<b>9,420</b>
	80	20	2009	50	–	30/6/2010	–	–
<b>Alex Troncoso</b>	<b>75</b>	<b>25</b>	<b>2101</b>	<b>50</b>		<b>30/6/2011</b>	<b>12,707</b>	<b>12,707</b>
	85	15	2009	50	–	30/6/2010	–	–
<b>Richard Sweet</b>	<b>50</b>	<b>50</b>	<b>2009</b>	<b>50</b>	–	<b>30/06/2010</b>	–	–

## E Additional information (audited) (continued)

### Options

Name	A Remuneration consisting of options	B Value at grant date	C Value at exercise date	D Value at lapse date	E Total of columns B–D
Howard Cearns	42.2%	145,743	–	–	145,743
Nic Trimboli	39.1%	145,743	–	–	145,743

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B

B = The value at grant date calculated in accordance with AASB 2 Share based payment of options granted during the year as part of remuneration

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year

### Loans to directors and executives

On 1 June 2010, a short term loan of \$5,500 was provided to Miles Hull. This amount is due for repayment prior to 30 June 2011 and is non interest bearing. The Group has not made any other loans to directors or executives during the year ended 30 June 2010 and has no carried forward loans from prior years, other than those presented above.

### Auditor's independence declaration

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

### Non-audit services

During the year KPMG, the Company's auditor, did not perform any other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2010	2009
	\$	\$
<b>Audit service</b>		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	<b>65,486</b>	54,000
<b>Services other than statutory audit</b>		
Other assurance services	–	10,000
Audit and risk advisory service (KPMG Australia)		

## Directors' Report (continued)

For the year ended 30 June 2010

### E Additional information (audited) (continued)

#### Options

Details of options granted to the directors and the five most highly remunerated officers of the Group can be found in sections B and D of the remuneration report.

The terms and conditions of the options affecting remuneration of directors in previous, this or future reporting periods are summarised in the following table:

Number	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
6,000,000	10 November 2005	10 November 2010	\$1.00	\$0.2429	Between 10 August 2010 and 10 November 2010

#### Indemnities & insurance premiums for officers and auditors

During the financial year, Little World Beverages Limited paid a premium of \$10,603 (2009: \$12,092) to insure the officers of the Company and its subsidiaries against a Company officer's liability for legal costs.

The Company has previously entered into deeds of access & indemnity with all directors, which remain in force.

The Company has not indemnified or made a relevant agreement for indemnifying and no premiums have been paid or agreed to be paid for insurance against the Company's auditor's liability for legal costs.

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



Ian Cochrane

Chairman

Date: 24 August 2010

# Auditor's Independence Declaration



## *Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Little World Beverages Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

A handwritten signature in blue ink, appearing to read 'T. Hart'.

Trevor Hart  
Partner

Perth

24 August 2010

# Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

## Principle 1 – Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Group and for managing the business of the Group, including establishing its strategic direction and goals for management and monitoring the achievement of those goals. The Board's responsibilities include:

- appointing and removing the chief executive officer or equivalent (CEO);
- ratifying the appointment and, where appropriate, the removal of senior executives and the Company Secretary;
- formulating the strategic objectives of the Group and establishing goals designed to promote the achievement by senior management of those strategic objectives;
- approving investments and evaluating those investments on an ongoing basis, including regularly assessing the operational and financial risks in respect of investments;
- approving and monitoring financial and other reporting, including considering and approving the Group's annual budgets;
- ensuring that there are appropriate internal controls and ethical standards of behaviour adopted and met within the Group;
- ensuring that the business risks facing the Group are, wherever possible, identified and that appropriate monitoring and reporting controls are in place to manage these risks;
- monitoring the performance of management against the goals and objectives established by the Board.

The senior management team is responsible for the day-to-day management of the business of the Group. Although the Board has not formally delegated any of its powers or functions to management, each member of the senior management team has a formal job description, approved by the Board, and has clearly articulated responsibilities and accountabilities against which their performance is assessed.

Each director is appointed under a formal letter of appointment setting out the key terms and conditions relative to their appointment. The content of the letters of appointment is consistent with the ASX Principles.

The management team led by Chief Operating Officer, Ross Sudano and supported two of the Group's founders, Nic Trimboli and Howard Cearnis provides strong leadership and strategic and purposeful direction for our operations.

## Principle 2 – Structure the Board to add value

The term of office, skills, experience and expertise of the directors and their status as independent or non-independent are highlighted in the Directors' Report. A non-executive director is considered to be independent when, in the judgment of the Board, he substantially satisfies the test for independence as set out in the ASX Principles. As at the date of the financial report, only the Chairman is considered by the Board to be an independent director.

The Board is of the view that it is currently not necessary or desirable to have a majority of independent directors, given the history and stage of development of the Group. All of the directors, except for the Chairman, have been involved in the Group's business since its inception and bring specific skills and industry experience to the Board, as well as an in depth understanding of the Group's business.

The Board's procedure for directors to obtain independent advice at the Group's expense is to allow such advice to be obtained on an ad-hoc basis with the prior consent of the Chairman. In the case of the Chairman, the consent of the remaining Board members is required.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment.

## Principle 2 – Structure the Board to add value (continued)

The Board has a Nomination & Remuneration Committee in place. The role of the committee is to assist and advise the Board on matters relating to the appointment, evaluation and remuneration of the non-executive directors, senior executives and other team members of the Group. The Board has approved a Nomination & Remuneration Committee Charter that sets out the Committee's role and responsibilities, composition, structure and membership requirements.

The Nomination & Remuneration Committee is responsible for:

- reviewing and making recommendations to the Board on the total level of remuneration of non-executive directors and the total level of remuneration and performance targets of the CEO (or equivalent);
- reviewing and approving recommendations from the CEO (or equivalent) on total levels of remuneration and performance targets for senior executives reporting to the CEO (or equivalent).

The Group has procedures in place for performance evaluation of senior executives against qualitative and quantitative indicators. At the date of this report the Group has no formal procedures for the evaluation of the Board and its Committees and no formal reviews of the performance of the Board or its Committees have taken place.

The current members of the Nomination & Remuneration Committee are Ian Cochrane (Chairman), Howard Cearns and Nic Trimboli. Due to the composition of the Board, it is not possible to have a majority of independent directors on the Committee. In the financial year ended 30 June 2010, the Committee held one formal meeting, which was attended by all members.

The Charter of the Nomination & Remuneration Committee is available upon request to the Company Secretary or at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

## Principle 3 – Promote ethical and responsible decision making

The Board believes that the success of the Group will be enhanced by a strong ethical culture within the organisation and the Board expects that all directors, senior executives and other team members act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life. While the Board has not adopted a written code of conduct, our people in each area of the Group's business are made aware of standards of behaviour that they are expected to meet in discharging their responsibilities on behalf of the Group.

The Company has a formal policy in relation to trading in Company securities by directors, senior executives and other team members. The policy states that provided they do not have price sensitive non-public information, our people are permitted to deal in the Company's shares without the permission of the Chairman:

- in the periods of 60 days commencing 48 hours following the announcement of the half-year financial results, announcement of the full year financial results and the holding of the annual general meeting; and
- during the period that the Company has a current prospectus or other form of disclosure document on issue pursuant to which persons may subscribe for shares.

The policy also states that senior employees and their associates should always consult the Chairman regarding their intention to buy shares within the trading windows, although permission is not specifically required. In addition, the policy states that:

- no senior employees or their associates may buy or sell shares in the Company outside the relevant trading windows without the prior approval of the Chairman, and the Chairman may not buy or sell shares outside the relevant trading windows without the prior approval of the Board or the next most senior director;
- other employees may only buy or sell shares in the Company outside the relevant trading windows with the prior approval of the Company Secretary;
- our people are generally prohibited from trading in shares on a "short-swing" basis; and
- directors and senior executives should be aware of and observe their obligations under the Corporations Act 2001 not to buy or sell shares if in possession of price sensitive non-public information and to ensure that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

## Corporate Governance Statement (continued)

### Principle 4 – Safeguard integrity in financial reporting

The Chief Financial Officer has stated in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operating results and are in accordance with the relevant accounting standards.

The Board has an Audit & Finance Committee in place. Current members of the Audit & Finance Committee are Adrian Fini (Chairman), Jamie Tomlinson and David Martin. In the financial year ended 30 June 2010, the Committee held seven meetings. Details of attendance by Committee members are set out in the Directors' Report.

Due to the composition of the Board, it is not possible to have a majority of independent directors on the Committee or to have an independent Chairman who is not also Chairman of the Board. The Board considers the structure of the Audit & Finance Committee to be appropriate given the size and structure of the Board and the relevant experience of the members of the Audit & Finance Committee. All members have appropriate experience in both financial and accounting matters and in the brewing and hospitality industries. Specific details of the qualifications of the Committee members are set out in the Directors' Report.

The Board has approved an Audit & Finance Committee Charter, which states that the primary role of the Committee is to monitor and review the effectiveness of the control environment in the Group in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting. The Charter sets out the Committee's responsibilities, composition, structure and membership requirements.

At the discretion of the Committee, the external auditor and other members of the Board and management will be invited to Audit & Finance Committee meetings. The Audit & Finance Committee will consider any matters relating to the financial affairs of the Group and any other matter referred to it by the Board. The Audit & Finance Committee meets at least twice a year.

The Audit & Finance Committee is responsible for overseeing the Company's relationship with the external auditor. The Board does not have a policy requiring the audit firm to rotate the audit partner. The Board will assess the timing of audit partner rotation when it is appropriate to do so.

### Principle 5 – Make timely and balanced disclosure

The Group has adopted an Information Policy applicable to all directors and senior executives, which sets out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information;
- reporting price sensitive information to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules (including in dealings and discussions with analysts, professional bodies, the media or customers); and
- ensuring Company officers do not contravene the Corporations Act 2001 or ASX Listing Rules (including restrictions on media interviews or presentations).

The Company Secretary has primary responsibility for all communication with the ASX in relation to Listing Rule matters.

## Principle 6 – Respect the rights of shareholders

The Company places a high priority on communication with shareholders, and is aware of its obligations under the Corporations Act 2001 and the ASX Listing Rules to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

Information is communicated to shareholders as follows:

- notices of meetings of shareholders; and
- all documents that are released publicly may be accessed on the Company's corporate website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

The Company encourages shareholders to submit email addresses to the share registry, to enable effective electronic communication.

The Board will invite the external auditor to attend the annual general meeting of shareholders and provide a reasonable opportunity for shareholders to ask questions of the auditor concerning the conduct of the audit and the preparation and content of the auditor's report.

## Principle 7 – Recognise and manage risk

The Board monitors and if necessary receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. During the 2010 financial year, a detailed review of the risk management process was undertaken by the Board.

From this process a formal risk management policy was adopted, a copy of which is available at [www.littleworldbeverages.com](http://www.littleworldbeverages.com)

The Board requires senior executives to periodically report on the operation and results of their areas of responsibility in person. Such reports include detailing any current risks and outlining to the Board how these risks will be managed, including the effectiveness of management practices.

The effectiveness of the control environment of the Group in relation to operational and balance sheet risk is monitored and reviewed by the Audit & Finance Committee. This includes overseeing the adequacy of and compliance with prescribed policies, the control processes in place relating to safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The statement provided to the Board by the Chief Financial Officer outlined under Principle 4 also advises that the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Group's risk management and internal compliance and control systems, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.

## Principle 8 – Remunerate fairly and responsibly

Details regarding the Group's remuneration principles and of the remuneration of directors and key executives is found in the Director's Report in the section headed "Remuneration Report".

The Group's Nomination & Remuneration Committee is responsible for overseeing remuneration arrangements of the directors, senior executives and other team members of the Group.

Refer to Principle 2 above for further details relating to the Nomination & Remuneration Committee.

**Little World Beverages Limited** ABN 25 081 128 225  
Annual Financial Report  
for the year ended 30 June 2010

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**Little World Beverages Limited** ABN 25 081 128 225  
Statement of Comprehensive Income  
for the year ended 30 June 2010

In AUD	Note	Consolidated	
		2010 \$'000	2009 \$'000
Revenue	7	<b>56,433</b>	47,748
Raw materials and consumables		<b>(10,511)</b>	(9,133)
Selling and distribution costs		<b>(3,932)</b>	(3,205)
Depreciation & amortisation expenses	9	<b>(2,340)</b>	(2,019)
Employee expenses		<b>(13,547)</b>	(12,369)
Bad & doubtful debts		<b>(13)</b>	29
Excise tax		<b>(8,440)</b>	(6,678)
Occupancy costs		<b>(2,397)</b>	(2,141)
Consumables, repairs & replacements		<b>(1,217)</b>	(990)
Loss on sale of assets		<b>(51)</b>	(33)
Other expenses		<b>(3,477)</b>	(3,211)
<b>Results from operating activities</b>		<b>10,508</b>	7,998
Finance income		<b>39</b>	39
Finance expenses		<b>(1,193)</b>	(1,122)
Net finance income	8	<b>(1,154)</b>	(1,083)
<b>Profit before income tax</b>		<b>9,354</b>	6,915
Income tax expense	10	<b>(2,563)</b>	(2,382)
<b>Profit for the period</b>		<b>6,791</b>	4,533
<b>Attributable to:</b>			
Equity holders of the Company		<b>6,791</b>	4,533
Other comprehensive income		–	–
Total comprehensive income for the period		–	–
<b>Total comprehensive income for the period attributable to equity holders of the Group.</b>		<b>6,791</b>	4,533
Earnings per share			
Basic earnings per share (cents)	36	<b>11.50</b>	7.67
Diluted earnings per share (cents)	36	<b>10.00</b>	6.66

The notes on pages 27 to 62 are an integral part of these consolidated financial statements

# Little World Beverages Limited ABN 25 081 128 225

## Balance Sheet as at 30 June 2010

In AUD	Note	Consolidated 2010 \$'000	2009 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	11	670	1,277
Trade and other receivables	12	4,445	3,687
Inventories	13	2,483	1,974
Other	14	510	160
<b>Total current assets</b>		<b>8,108</b>	7,098
Other financial assets	15	385	310
Property, plant and equipment	16	44,601	45,516
Intangible assets	17	1,165	1,165
Deferred tax assets	18	597	191
<b>Total non-current assets</b>		<b>46,748</b>	47,182
<b>Total Assets</b>		<b>54,856</b>	54,280
<b>LIABILITIES</b>			
Trade and other payables	19	3,610	4,111
Provisions	20	507	398
Current tax payable	21	1,280	902
<b>Total current liabilities</b>		<b>5,397</b>	5,411
Payables	22	–	118
Loans and borrowings	23	16,000	18,500
<b>Total non-current liabilities</b>		<b>16,000</b>	18,618
<b>Total liabilities</b>		<b>21,397</b>	24,029
<b>Net assets</b>		<b>33,459</b>	30,251
<b>EQUITY</b>			
Share Capital	24	22,093	22,024
Reserves	25(a)	2,422	1,933
Retained earnings	25(b)	8,944	6,294
<b>Total equity</b>		<b>33,459</b>	30,251

The notes on pages 27 to 62 are an integral part of these consolidated financial statements

# Little World Beverages Limited ABN 25 081 128 225

## Statement of Changes in Equity for the year ended 30 June 2010

In AUD	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>30,251</b>	27,657
Options reserve	25(a)	<b>489</b>	724
<b>Net income recognised directly in equity</b>		<b>489</b>	724
<b>Profit for the year</b>		<b>6,791</b>	4,533
<b>Total recognised income and expense for the year</b>		<b>7,280</b>	5,257
Transactions with equity holders in their capacity as equity holders:			
Share based payments net of tax		<b>69</b>	56
Dividends paid	25(b)	<b>(4,141)</b>	(2,719)
<b>Total equity at the end of the year</b>		<b>33,459</b>	30,251
<b>Total recognised income and expense for the year attributable to equity holders of the Group</b>		<b>7,280</b>	5,257

The notes on pages 27 to 62 are an integral part of these consolidated financial statements

**Little World Beverages Limited** ABN 25 081 128 225  
Cash Flow Statements  
for the year ended 30 June 2010

In AUD	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		<b>61,712</b>	51,355
Cash paid to suppliers and employees		<b>(46,805)</b>	(38,545)
Cash generated from operations		<b>14,907</b>	12,810
Borrowing costs		<b>(1,148)</b>	(1,113)
Interest received	8	<b>39</b>	39
Income taxes paid		<b>(2,590)</b>	(1,566)
Net GST paid to the ATO		<b>(3,288)</b>	(2,031)
<b>Net cash provided from operating activities</b>	35	<b>7,920</b>	8,139
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(1,830)</b>	(13,288)
Payment for investments in external entities		<b>(75)</b>	(309)
Sale of property, plant and equipment		<b>19</b>	–
Dividends paid	27	<b>(4,141)</b>	(2,719)
<b>Net cash used in investing activities</b>		<b>(6,027)</b>	(16,316)
<b>Cash flows from financing activities</b>			
Proceeds from/(repayment of) bank loan		<b>(2,500)</b>	8,000
<b>Net cash provided by financing activities</b>		<b>(2,500)</b>	8,000
Net decrease in cash held		<b>(607)</b>	(177)
Cash and cash equivalents at the beginning of the year		<b>1,277</b>	1,454
<b>Cash and cash equivalents at the end of the year</b>	11	<b>670</b>	1,277

The notes on pages 27 to 62 are an integral part of these consolidated financial statements

# Notes to the Financial Statements for the year ended 30 June 2010

## 1. REPORTING ENTITY

Little World Beverages Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Lot 1,7 Jones Street, O'Connor, WA, Australia, 6163. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Company" or the "Group" and individually as "Group entities") and the Group's interest in associates. The Group primarily is involved in the manufacture and distribution of beer and cider, both nationally within Australia and internationally.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Group has adopted AASB 101 "Presentation of Financial Statements", AASB 8 "Operating Segments" and all consequential amendments which became applicable on 1 January 2009. There has been no effect in the statement of comprehensive income or statement of financial position of the Group, other than those disclosed in this report.

During the year, the Company adopted recent changes to the Corporations Act 2001, which removed the requirement to present detailed parent entity financial statements. The operations of the Company are included within the Group financial results presented within this financial report.

The financial statements were approved by the Board of directors on 24 August 2010.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- The derivative financial instruments are measured at fair value

The methods used to measure fair values are discussed further in note 4.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the functional currency of the Group.

### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Group's financial statements, investments in subsidiaries are carried at cost.

# Notes to the Financial Statements for the year ended 30 June 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Intangible assets

#### 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, it 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.

#### Liquor Licenses

Liquor licenses acquired are recognised at cost less accumulated impairment losses. The Group considers that the liquor licenses will be renewed indefinitely and accordingly no amortisation is charged. The Group assesses the liquor licenses for impairment on a periodic basis, but at least annually.

### (c) Income tax

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

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

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 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 if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

**(d) Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recorded when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably. For the sale of goods, this is deemed to have occurred once goods have been dispatched to a customer pursuant to a sales order.

**(e) Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss, except those capitalised into the cost of qualifying assets in accordance with AASB 123 Borrowing costs. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

Recognition and measurement

Items of property, plant and equipment are measured at cost less, where applicable, any accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs relating to the acquisition or construction of qualifying assets are capitalised into the cost of such assets. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and is recognised in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the carrying amount will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(h) Depreciation**

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment if it is probable that the future economic benefits embodied in the item will flow to the Group.

The depreciation rates used for each class of depreciable asset are:

Land and buildings	0% – 2.5%
Leasehold improvements	2.5% – 20%
Plant and equipment	3.3% – 100%

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

## Notes to the Financial Statements for the year ended 30 June 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, including any guaranteed residual values. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### (j) Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### (k) Employee entitlements

##### (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 team member services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### (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 team members up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of team member 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) Superannuation

Contributions made by the Group to superannuation funds are charged as expenses when incurred.

**(k) Employee entitlements (continued)**

**(iv) Employee benefit on-costs**

Employee benefit on-costs such as payroll tax are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

**(v) Share-based payments**

The fair value of options granted after 7 November 2002 and vested after 1 January 2005 to relevant directors of Little World Beverages Limited is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors become unconditionally entitled to the options.

Share-based remuneration benefits are provided via the Little World Beverages Achievement Rights Plan.

**(l) Financial Instruments**

**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

**Other**

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

**(ii) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

**(iii) Economic hedges**

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

**(iv) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

# Notes to the Financial Statements for the year ended 30 June 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the ATO are included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (n) Impairment

#### (i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date, to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(o) Repairs and maintenance**

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an on-going maintenance program. The costs of this maintenance are charged as expenses as incurred. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

**(p) Foreign currency**

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**(q) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**(r) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

**(s) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

**(t) Investments and other financial assets**

The Group classifies its investments as loans and receivables and other financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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

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.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

**(ii) Other financial assets**

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in a reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

# Notes to the Financial Statements for the year ended 30 June 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirement for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, and not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurements purposes. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AL 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

## 4. DETERMINATION OF FAIR VALUE

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

### (i) Property, plant & equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

### (ii) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### (iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases that market rate of interest is determined by reference to similar lease agreement.

## 4. DETERMINATION OF FAIR VALUE (continued)

### (v) Share based payments transactions

The fair value of stock options at grant date is independently determined using the Black–Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non–tradeable nature of the option, 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 excludes the impact of any non–market vesting conditions (for example, profitability and sales growth targets). 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 expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share–based payments reserve relating to those options is transferred to share capital.

The fair value of shares issued for no cash consideration under the Achievement Rights Plan is measured at grant date and recognised as an expense over the vesting and performance period.

## 5. FINANCIAL RISK MANAGEMENT

### Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group’s exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. No separate Risk Management Committee has been established, as the Board is of the view that risk management should be monitored by the Board as a whole.

Risk management policies are established to identify and analyse the risks faced by the Group entities, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Board oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers. No interest is levied on receivables.

#### Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 11 per cent (2009: 9.4 per cent) of the Group’s revenue is attributable to sales transactions with a single customer. Geographically credit risk is concentrated in Australia.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes trade reference checks. In certain cases, credit limits are established for customers, which represent the maximum open amount without requiring approval from the Chief Financial Officer. These limits are reviewed if a customer’s purchasing patterns or volumes change. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on cash on delivery or prepayment basis.

# Notes to the Financial Statements for the year ended 30 June 2010

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Where possible, the Group also obtains personal guarantees from the directors of customers that are private companies. The Group does not require collateral in respect of trade and other receivables.

#### Investments

The Group holds investments which are accounted for under note 15.

#### Guarantees

An interlocking guarantee is currently in place for the purposes of the debt facility with National Australia Bank. Details of outstanding guarantees are provided in note 23. The members of the Group are each party to a Deed of Cross Guarantee, details of which are provided at note 39.

Under the terms of the subscription agreement with Stone & Wood, the Group has agreed to proportionally guarantee the borrowings from the ANZ bank to a maximum principal amount of \$228,000 plus interest and costs.

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group assesses cash flow requirements on a month by month basis, ensuring that commitments are not made to purchases unless payment can be made as required under the terms of supply. Stock is purchased and held on a just-in-time basis to ensure that cash flow is evenly spread. Transactions outside of the normal operating requirements of the business require approval at a senior management level, in order that liquidity risk can be assessed prior to purchase commitments being made.

As at 30 June 2010, the Group had in place a facility for borrowings of up to \$19.5 million, of which \$16.0 million (2009: \$18.5m) is drawn upon.

### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The Group purchases goods and services internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar and the Euro. Forward foreign exchange contracts are used from time to time to reduce exposure to fluctuations in currencies. The Group's policy is to assess transactions on a case-by-case basis and determine whether the risk of the transaction needs to be mitigated. Generally, transactions with an Australian dollar value exposure exceeding \$100,000 are hedged using forward exchange contracts.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Wherever possible, the Group minimises currency risk by requesting that international transactions be denominated in the Group's functional currency. All borrowings and interest payments on borrowings are made in Australian dollars.

#### Interest rate risk

The Group manages its exposure to interest rate risk by ensuring that an appropriate portion of borrowings are on a fixed rate basis. This is achieved by alternating Commercial Bill draw-downs between fixed contracts and variable contracts. The level of fixed rate borrowings is reviewed periodically based on internal requirements and other economic indicators.

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (iii) Market risk (continued)

Other market price risk

The Group does not invest in available-for-sale equity securities and as such is not subject to equity price risk.

The Group does not enter into commodity contracts other than to meet the Group's usage requirements; such contracts are not settled net.

### (iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as EBITDA divided by net assets excluding cash. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Group's approach to capital management during the year and neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and in determining the allocation of resources. The Group has also had regard to the qualitative thresholds for the determination of operating segments.

For management purposes, the Group is organised into one operating segment, which involves the production and sale of premium beer and cider throughout Australia. The Group's principal activities are interrelated, and discrete financial information is reported to the Board of directors (Chief Operating Decision Maker) as a single segment. The Group sells into international markets however these sales are not separately captured by discrete information reported to the Board due to the relative small scale of operations. Furthermore, the Group has no assets or liabilities located from operations based outside of Australia.

In the year ended 30 June 2010, \$6,217,837 (2009: \$4,468,640) of the Group's revenue is attributed to sales transactions with a single customer in Australia.

All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

# Notes to the Financial Statements for the year ended 30 June 2010

## 7. REVENUE

	Consolidated	
	2010 \$'000	2009 \$'000
<b>From continuing operations</b>		
Sales revenue		
Sale of goods	55,263	46,621
Other revenue		
Rental revenue from property subleases	659	610
Other revenue	511	517
	1,170	1,127
Total revenue from continuing operations	56,433	47,748

## 8. FINANCE INCOME AND EXPENSES

Interest income – other parties	39	39
Interest expense – other parties	(1,171)	(1,113)
Foreign exchange losses	(22)	(9)
	(1,193)	(1,122)
Net finance income / (expense)	(1,154)	(1,083)

## 9. EXPENSES

### Profit before income tax includes the following specific expenses:

Cost of goods sold	18,950	15,811
Depreciation and amortisation of non-current assets:		
plant and equipment	1,886	1,686
amortisation of leasehold improvements & buildings	454	333
Total depreciation and amortisation cost (note 16)	2,340	2,019
Rental and outgoings on operating sublease over land & buildings and other property	1,404	1,260
Superannuation contribution expense	924	811

## 10. INCOME TAX EXPENSE

### Income tax expense:

Current tax	2,969	2,370
Deferred tax	(406)	40
Under/(over) provided in prior years	–	(28)
	2,563	2,382
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	406	119
Increase/(decrease) in deferred tax liabilities	–	(79)
	406	40

## 10. INCOME TAX EXPENSE (continued)

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<b>9,354</b>	6,915
Tax at 30%	<b>2,806</b>	2,074
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	<b>147</b>	206
Achievement rights plan	<b>56</b>	–
Investment allowance	<b>(140)</b>	–
Tax losses brought to account	<b>(182)</b>	–
Sundry	<b>(124)</b>	102
	<b>2,563</b>	2,382
<b>Amounts recognised directly in equity</b>		
Deferred tax arising in the reporting period not recognised in profit or loss but directly credited to equity		
Deferred tax credited directly to equity	<b>(64)</b>	(73)

### Tax consolidation legislation:

Little World Beverages Limited and its wholly-owned Australian controlled entities have not elected to implement the tax consolidation legislation.

## 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<b>670</b>	1,277
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### Cash at bank and on hand

The cash at bank and on hand bear interest rates of between 0% – 4.45% (2009: 0% – 4%).

## 12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	<b>4,307</b>	3,390
Trade receivables from director & key management personnel related entities (note 28)	<b>4</b>	2
Total trade receivables	<b>4,311</b>	3,392
Provision for doubtful receivables	<b>(16)</b>	(44)
Sundry debtors due from director & key management personnel related entities (note 28)	<b>5</b>	–
Sundry debtors and deposits	<b>145</b>	339
	<b>4,445</b>	3,687

## Notes to the Financial Statements for the year ended 30 June 2010

### 13. CURRENT ASSETS – INVENTORIES

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
At cost		
Raw materials and stores	<b>1,057</b>	911
Work in progress	<b>167</b>	109
Finished goods	<b>1,259</b>	954
	<b>2,483</b>	1,974

Inventories recognised as cost of sales during the year ended 30 June 2010 amounted to \$18,950,259 (2009: \$15,810,541).

### 14. CURRENT ASSETS – OTHER ASSETS

Prepayments	<b>510</b>	160
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### 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Unlisted shares	<b>385</b>	310
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#### Unlisted shares

The shares are investments in two independent unrelated parties. The Stone & Wood Group Pty Ltd which operates the Stone & Wood Brewery in Byron Bay, New South Wales; and the other a co-operative group which acts as a wholesaler for the Group's products.

### 16. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

<b>Consolidated</b>	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 1 July 2008:</b>				
Cost	7,517	7,953	21,669	37,139
Accumulated depreciation	–	(173)	(2,565)	(2,738)
Net book amount	7,517	7,780	19,104	34,401
<b>Year ended 30 June 2009:</b>				
Opening net book amount	7,517	7,780	19,104	34,401
Additions	1,794	4,996	6,384	13,174
Disposals / adjustments	–	–	(40)	(40)
Depreciation charge	(8)	(325)	(1,686)	(2,019)
Closing net book amount	9,303	12,451	23,762	45,516

Included in the above addition totals for the year ended 30 June 2009 is an amount of \$73,804 relating to capitalised borrowing and interest costs, which have been added to the cost base of the assets to which they relate.

## 16. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT (continued)

Consolidated	Land & Buildings \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
<b>At 30 June 2009:</b>				
Cost	9,311	12,939	27,893	50,144
Accumulated depreciation	(8)	(488)	(4,131)	(4,627)
Net book amount	9,303	12,451	23,762	45,516
<b>Year ended 30 June 2010:</b>				
Opening net book amount	9,303	12,451	23,762	45,516
Additions	–	309	1,192	1,501
Disposals / adjustments	–	3	(79)	(76)
Depreciation charge	(7)	(446)	(1,887)	(2,340)
Closing net book amount	9,296	12,317	22,988	44,601
<b>At 30 June 2010:</b>				
Cost	9,312	13,247	28,962	51,521
Accumulated depreciation	(16)	(930)	(5,974)	(6,920)
Net book amount	9,296	12,317	22,988	44,601

## 17. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated	
	2010 \$'000	2009 \$'000
Goodwill purchased	1,065	1,065
Licenses purchased	100	100
At 30 June	1,165	1,165

For the purposes of impairment testing, all goodwill is allocated to the “Creatures Loft” venue, the Group’s cash-generating unit which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the purchased goodwill was based on its value in use. The carrying amount of the goodwill was determined to be lower than its recoverable amount and therefore no impairment loss has been recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on the Board-approved 2011 budgeted operating results and extrapolated using a constant growth rate of 2.5% (2009: 2.5%) to perpetuity.
- A pre-tax discount rate of 12% (2009: 12%) has been applied to the cash flows.

## Notes to the Financial Statements for the year ended 30 June 2010

### 18. NON-CURRENT ASSETS – DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Doubtful debts	(5)	(13)	–	–	(5)	(13)
Property, plant and equipment	(193)	–	–	81	(193)	81
Tax losses recoverable	(182)	–	–	–	(182)	–
Sundry accruals	(4)	(15)	–	–	(4)	(15)
Prepayments	–	–	3	–	3	–
Employee leave accruals	(76)	(87)	–	–	(76)	(87)
Other provisions	(118)	(66)	–	–	(118)	(66)
Borrowing costs	–	(29)	–	–	–	(29)
Capital raising costs	(22)	(64)	–	–	(22)	(64)
Unearned income	–	–	–	3	–	3
Tax (assets) liabilities	(600)	(275)	3	84	(597)	(191)
Set off of tax	3	84	(3)	(84)	–	–
Net tax (asset) liabilities	(597)	(191)	–	–	(597)	(191)

### 19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2010 \$'000	2009 \$'000
Trade creditors	2,295	2,659
Sundry creditors & accruals	1,286	1,379
Amounts payable to director & key management personnel related entities (note 27)	29	73
	<b>3,610</b>	<b>4,111</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 38.

### 20. CURRENT LIABILITIES – PROVISIONS

Provision for annual leave	326	245
Provision for employee bonuses	–	32
Provision for long service leave	68	44
Provision for lost keys	113	77
	<b>507</b>	<b>398</b>

### 21. CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax	1,280	902
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## 22. NON-CURRENT LIABILITIES – PAYABLES

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Sundry creditors	–	118

## 23. NON-CURRENT LIABILITIES – LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 38.

	<b>30 June 2010</b>		<b>30 June 2009</b>	
	<b>Face Value</b>	<b>Carrying</b>	<b>Face Value</b>	<b>Carrying</b>
	<b>\$'000</b>	<b>Amount</b>	<b>\$'000</b>	<b>Amount</b>
Currency	<b>Nominal</b>	<b>Year</b>		
AUD	<b>Interest</b>	<b>of</b>		
	<b>rate</b>	<b>Maturity</b>		
Secured bank loan	6.36%	2012	<b>16,000</b>	<b>16,000</b>
Total Interest-bearing liabilities			<b>16,000</b>	<b>16,000</b>

The facility with the National Australia Bank is secured via mortgage debentures over the Group's assets and a mortgage by way of sub-demise over the various operating premises. In addition, all companies within the Group have entered into an interlocking guarantee and indemnity for the limit of the facility.

As at 30 June 2010, the total debt facility was \$19.5 million, with an expiry date of April 2012. There have been no breaches of covenants during the period or subsequent to the period end.

## 24. CONTRIBUTED EQUITY

<b>Company</b>	<b>2010</b>	2009	<b>2010</b>	2009
	<b># shares</b>	# shares	<b>\$'000</b>	\$'000
<i>Ordinary share capital</i>				
Ordinary shares – fully paid	<b>59,165,106</b>	59,119,418	<b>22,093</b>	22,024
Movements in ordinary share capital				
Date	Details	# shares	Issue price	\$'000
1 July 2008	Opening balance	59,080,000		21,969
1 July 2008	Achievement Rights Issue	18,122	\$1.50	27
11 December 2008	Achievement Rights Issue	16,296	\$1.30	21
18 March 2009	Achievement Rights Issue	5,000	\$1.50	7
30 June 2009	Balance	59,119,418		22,024
1 July 2009	Opening balance	59,119,418		22,024
31 July 2009	Achievement Rights Issue	36,110	\$1.50	54
10 November 2009	Achievement Rights Issue	4,771	\$1.50	7
9 December 2009	Achievement Rights Issue	4,807	\$1.50	8
30 June 2010	Balance	59,165,106		22,093

## Notes to the Financial Statements for the year ended 30 June 2010

### 24. CONTRIBUTED EQUITY (continued)

#### (a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

#### (b) Options / Achievement Rights Plan

Information relating to options and the Achievement Rights Plan is set out in note 37.

### 25. RESERVES AND RETAINED PROFITS

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<hr/>		
<i>a) Reserves</i>		
Share-based payments reserve	<b>2,422</b>	1,933
<hr/>		
Movements:		
Balance 1 July	<b>1,933</b>	1,209
Option expense	<b>489</b>	724
Transfer to share capital (options exercised)	–	–
<hr/>		
Balance 30 June	<b>2,422</b>	1,933
<hr/>		
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.		
<i>b) Retained profits</i>		
Movements in retained profits were as follows:		
Balance 1 July	<b>6,294</b>	4,480
Net profit for the year	<b>6,791</b>	4,533
Dividends	<b>(4,141)</b>	(2,719)
<hr/>		
Balance 30 June	<b>8,944</b>	6,294
<hr/>		

## 26. PARENT ENTITY DISCLOSURES

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
As at, and throughout, the financial year ending 30 June 2010 the parent company of the Group was Little World Beverages Ltd.		
Result of the parent entity		
Profit for the period	<b>4,294</b>	2,661
Other comprehensive income	–	–
Total comprehensive income for the period	<b>4,294</b>	2,661
Financial position of the parent entity at year end		
Current assets	<b>3</b>	2
Total assets	<b>24,756</b>	24,044
Current liabilities	<b>15</b>	14
Total liabilities	<b>15</b>	14
Total Equity of the parent entity comprising of:		
Share capital	<b>22,093</b>	22,024
Option reserve	<b>2,422</b>	1,933
Retained earnings	<b>226</b>	73
Total Equity	<b>24,741</b>	24,030

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in Note 39 below.

## 27. DIVIDENDS

### a) Ordinary shares

Final dividend for the year ended 30 June 2009 of 2.5 cents per share (2008 – 2.3 cents) paid on 30 September 2009 (2008 – 29 September 2008)

Fully franked based on tax paid @ 30%	<b>1,479</b>	1,359
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Interim dividend for the year ended 30 June 2010 of 4.5 cents (2009 – 2.3 cents) per share paid on 24 March 2010 (2009 – 3 April 2009)

Fully franked based on tax paid @ 30%	<b>2,662</b>	1,360
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	<b>4,141</b>	2,719
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## Notes to the Financial Statements for the year ended 30 June 2010

### 27. DIVIDENDS (continued)

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>b) Dividends not recognised at year-end</b>		
In addition to the above dividends, since year-end the directors have recommended the payment of a final dividend of 5.0 cents per share (2009 – 2.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 September 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year-end, is \$3,258,255 (2009: \$1,478,888), on the basis that the options issued to the executive directors will be exercised before the record date.		
	<b>3,258</b>	1,479
<b>c) Franked dividends</b>		
The franked portion of the final dividends recommended after 30 June 2010 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2010.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 – 30%)	<b>4,329</b>	3,386

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The impact on the franking account of the dividend recommended by the directors since year-end, but not recognised as a liability at year-end (note 27(b)), will be a reduction in the franking account of \$1,396,395 (2009: \$633,809).

### 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### a) Directors

The following persons were directors of Little World Beverages Limited during the financial year:

- i) *Chairman – non-executive*  
Ian Cochrane
- ii) *Executive directors*  
Howard Cearns  
Nic Trimboli
- iii) *Non-executive directors*  
Adrian Fini  
David Martin  
Jamie Tomlinson

## 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### b) Other key management personnel

The following persons were the executives with the greatest authority for the strategic direction and management of the Group ("key management personnel") during the financial year:

Name	Position	Employer
Ross Sudano	Chief Operating Officer	Little Creatures Brewing Pty Ltd
Jason Markwart	Chief Financial Officer	Little Creatures Brewing Pty Ltd
Alex Troncoso	Chief Brewer	Little Creatures Brewing Pty Ltd
Stewart Wheeler	Head of Hospitality	Little Creatures Brewing Pty Ltd
Miles Hull	Head of Marketing	Little Creatures Brewing Pty Ltd
<b>Former Employees</b>		
Todd Morcombe	Chief Financial Officer	Little Creatures Brewing Pty Ltd
Richard Sweet	Head of Sales	Little Creatures Brewing Pty Ltd

Stewart Wheeler commenced employment on 12 April 2010.

Jason Markwart was appointed to the role of Chief Financial Officer on 9 November 2009, replacing Todd Morcombe who resigned on 15 November 2009.

Richard Sweet resigned on 10 September 2009

### c) Key management personnel Remuneration

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	\$
Short-term employee benefits	<b>1,542,173</b>	1,635,464
Post-employment benefits	<b>87,884</b>	70,989
Share-based payments		
– equity-settled shares	<b>91,959</b>	61,184
– equity-settled options	<b>291,486</b>	291,486
	<b>2,013,502</b>	2,059,123

Information regarding individual directors and executives' compensation and some equity instrument disclosure as required by corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

## Notes to the Financial Statements for the year ended 30 June 2010

### 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

#### d) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 9 to 15.

##### ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Little World Beverages Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>2010</b>						
<b>Directors:</b>						
Howard Cearns	3,000,000	–	–	–	3,000,000	–
Nic Trimboli	3,000,000	–	–	–	3,000,000	–
<b>2009</b>						
<b>Directors:</b>						
Howard Cearns	3,000,000	–	–	–	3,000,000	–
Nic Trimboli	3,000,000	–	–	–	3,000,000	–

No options are vested and exercisable at the end of the year.

##### iii) Share holdings

The number of shares in the Company held during the financial year by each director of Little World Beverages Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Little World Beverages Limited				
<b>Ordinary shares</b>				
Ian Cochrane	147,500	–	–	147,500
Howard Cearns	4,303,800	–	–	4,303,800
Adrian Fini	10,394,621	–	–	10,394,621
David Martin	4,550,000	–	–	4,550,000
Jamie Tomlinson	–	–	–	–
Nic Trimboli	4,860,000	–	–	4,860,000
Other key management personnel of the Group				
<b>Ordinary shares</b>				
Ross Sudano	–	–	–	–
Jason Markwart	–	–	–	–
Alex Troncoso	1,500	20,194	–	21,694
Stewart Wheeler	–	–	–	–
Miles Hull	18,245	12,282	(3,000)	27,527

## 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### d) Equity instrument disclosures relating to key management personnel (continued)

There were no shares granted during the reporting period as remuneration. However, some specified executives have been assessed as being eligible to participate in the Company's Achievement Rights Plan, as part of their remuneration. Details of the Plan can be found in section D of the remuneration report on pages 12 to 14. As at balance date, no Achievement Rights had been issued in respect of the Reporting Period. However, an accrual of \$185,236 has been made in respect of Achievement Rights that have been granted after balance date and which relate to the year ended 30 June 2010.

2009	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Little World Beverages Limited</b>				
<b>Ordinary shares</b>				
Ian Cochrane	130,000	–	17,500	147,500
Howard Cearns	4,250,000	–	53,800	4,303,800
Adrian Fini	9,949,221	–	445,400	10,394,621
David Martin	4,550,000	–	–	4,550,000
Jamie Tomlinson	–	–	–	–
Nic Trimboli	4,820,000	–	40,000	4,860,000
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
Kylie Webster	14,100	–	48,000	62,100
Ross Sudano	–	–	–	–
Todd Morcombe	3,500	–	9,938	13,438
Miles Hull	–	–	18,245	18,245
Richard Sweet	–	–	–	–
Alex Troncoso	–	–	1,500	1,500

### e) Loans to key management personnel

On 1 June 2010, a short term loan of \$5,500 was provided to Miles Hull. This amount is due for repayment prior to 30 June 2011 and is non interest bearing. The Group has not made any other loans to directors or executives during the year ended 30 June 2010 and has no carried forward loans from prior years, other than those presented above.

### f) Other transactions with key management personnel

A director, Adrian Fini, is a director and shareholder of Fini Group Pty Ltd. Little Creatures Brewing Pty Ltd, a subsidiary of Little World Beverages Limited, has sub-leased a building from Fini Group Pty Ltd. The lease is based on normal commercial terms and conditions. Further details of the lease agreement are detailed in note 31.

Adrian Fini is also associated with Fini Olives, an entity from which the Group has purchased food products during the year on normal commercial terms and conditions.

Fini Group Pty Ltd has also purchased goods and services from the Group on normal commercial terms and conditions.

A director, Howard Cearns, is a director and shareholder of brainCELLS Pty Ltd, a company that provides marketing and design-related services to the Group. The services are provided on normal commercial terms and conditions.

brainCELLS Pty Ltd has also purchased beer from the Group during the financial year on normal trading terms and conditions.

## Notes to the Financial Statements for the year ended 30 June 2010

### 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

A director, Nic Trimboli is associated with Lawson Nominees Pty Ltd, an entity that owns a number of restaurants that purchase beer from the Group on normal commercial terms and conditions.

Beer has been purchased from the Group on normal trading terms and conditions by Cochrane Lishman, a law firm associated with director, Ian Cochrane.

Aggregate amounts of each of the above types of other transactions with directors of Little World Beverages Limited:

	2010 \$	2009 \$
Payment of rent plus purchases of goods and services from entities associated with Adrian Fini	<b>310,728</b>	268,262
Sales to entities associated with Adrian Fini	<b>2,733</b>	6,104
Marketing and design costs paid to an entity associated with Howard Cearns	<b>64,412</b>	79,524
Sales to entities associated with Howard Cearns	<b>585</b>	843
Sales to restaurants associated with Nic Trimboli	<b>62,462</b>	51,404
Sales to entities associated with Ian Cochrane	<b>451</b>	450
Aggregate amounts payable to director and key management personnel related entities at balance date relating to the above types of other transactions:		
Current receivables (sales of goods & services) (note 12)	<b>3,612</b>	2,083
Current payables (purchases of goods & services) (note 19)	<b>28,584</b>	73,430

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

### 29. REMUNERATION OF AUDITORS

	Consolidated	
	2010 \$	2009 \$
Amounts received or due and receivable by the auditors of the Group for:		
Auditing financial report	<b>65,486</b>	54,000
Other services	-	10,000
	<b>65,486</b>	64,000

### 30. CONTINGENCIES

#### a) Contingent Liabilities

Performance Guarantee

The Group has guaranteed the performance of the Stone & Wood Group Pty Ltd, an independent party in relation to a loan with the ANZ Bank. In the event of a default, the terms of the guarantee provide a maximum principle amount payable of \$228,000 plus any outstanding interest and costs. The loan has also been guaranteed by other shareholders of Stone & Wood Group, the Group's amount payable is limited to its ownership interest in the Group.

#### b) Contingent Assets

There were no contingent assets at 30 June 2010.

## 31. COMMITMENTS

### a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:	Consolidated	
	2010 \$'000	2009 \$'000
Payable:		
Within one year	852	–
Later than one year but not later than five years	–	–
Later than five years	–	–
	<b>852</b>	<b>–</b>

The Group has committed to construct a pedestrian boardwalk between the existing boardwalk at Fremantle Fishing Boat Harbour and the public access way joining the Little Creatures Fremantle venue. The estimated cost of the completed boardwalk is \$963,538 of which \$111,000 had been paid at 30 June 2010. Upon completion, this amount will be fully recoverable from the West Australian Department of Transport in the form of a rebate against utility consumption charges levied.

### b) Lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities

Payable:		
Within one year	1,261	1,085
Later than one year but not later than five years	3,084	3,271
Later than five years	6,142	4,592
	<b>10,487</b>	<b>8,948</b>
Representing:		
Cancellable operating leases	–	–
Non-cancellable operating leases	10,487	8,948
	<b>10,487</b>	<b>8,948</b>

Operating lease commitments:

#### *Property lease – 1*

The Group holds a Ground Lease over land which it leases from the Minister for Transport, which is used to house its brewing and brew-house retail space, with part of the property sub-let to independent tenants at market rates. The lease is a non-cancellable lease with a twenty one year term, together with a further 21 year option period. The contract provides for a rental adjustment for market movements every third anniversary from commencement, the current lease term commenced in November 2007. This lease is adjacent to Property lease –2.

#### *Property lease – 2*

The Group leases a property from Fini Group Pty Ltd, which is used to house its brewing and restaurant facilities. The lease is a non-cancellable sub-lease with a twelve year term and option to renew for a further nine years with a further twenty one year term having been agreed. The contract provides for annual rent adjusted for movements in the Consumer Price Index or 3% whichever is the higher. The lease commenced in September 2000. This lease is adjacent to Property lease – 1.

## Notes to the Financial Statements for the year ended 30 June 2010

### 31. COMMITMENTS (continued)

#### *Property lease – 3*

The Group has entered into a lease agreement with a group of individuals, over a building which is used to house packaging, warehouse and office facilities. The lease is a non-cancellable lease with a five-year term and option to renew for a further five years. The contract provides for fixed annual rent adjustments during the initial five-year term, with a market rent review upon renewal. Rent adjustments are then made based on Consumer Price Index during the second term. The lease commenced in August 2006.

#### *Property lease – 4*

The Group has entered into a lease agreement with Barons Holdings Pty Ltd over a building located in Fitzroy, Victoria, where it operates a retail outlet. The lease is a non-cancellable lease with a term of ten years, commencing 1 October 2006. The lease provides for rent adjustments of 4% annually for the term, with the exception of the sixth year when a market rent review will be conducted.

#### *Motor vehicle leases*

The Group has an operating lease over a motor vehicle for use by a sales representative from Fleetcare, a specialist fleet company. The non-cancellable operating lease commenced in June 2008 and is for a three-year term.

#### *Plant & equipment leases*

The Group has a lease over packaging equipment in O'Connor, Western Australia. The lease is for a five year term, commencing 1 July 2006. Price reviews are undertaken on 1 December 2007 and every twelve months thereafter.

In addition, the Group has leases for packaging equipment and labelling equipment in Healesville, Victoria. The two leases commenced in April 2009 for a period of 3 years.

#### **c) Other commitments**

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Commitment to purchase bottles from suppliers	2,316	451

### 32. RELATED PARTY TRANSACTIONS

#### **a) Parent Entity**

The parent entity within the Group is Little World Beverages Limited. Little World Beverages Limited is the ultimate parent entity and ultimate controlling entity.

#### **b) Subsidiaries**

Interests in subsidiaries are set out in note 33.

#### **c) Key management personnel**

Disclosures relating to key management personnel are set out in note 28.

#### **d) Transactions with related parties**

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$</b>	\$
<i>Purchases of goods / services</i>		
Laboratory analysis and dispense installation expenses paid to The Swan Brewery Company Pty Ltd an entity associated with substantial shareholder, Anglo Gaelic Investments Pty Ltd.	115	298

No provisions for doubtful debts have been raised in respect of related party amounts and no expense has been recognised in respect of bad or doubtful debts due from related parties.

### 33. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(a):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2010 %	2009 %
Little Creatures Brewing Pty Ltd	Australia	Ordinary	100	100
Little Green Steps Pty Ltd	Australia	Ordinary	100	100
Fremantle Harbour Properties Pty Ltd	Australia	Ordinary	100	100

### 34. SUBSEQUENT EVENTS

There were no significant subsequent matters or events that have occurred since the date of this report.

### 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2010 \$'000	2009 \$'000
Profit for the year	6,791	4,533
<b>Non-Cash Items</b>		
Depreciation and amortisation	2,340	2,019
Loss on sale of non current assets	57	33
Foreign exchange (gains)/losses	22	9
Options, achievement rights & employee shares granted	489	724
Other non-cash items	47	50
<b>Changes in assets and liabilities</b>		
Increase in trade and other receivables	(758)	(727)
Increase in inventories	(509)	(413)
(Increase)/decrease in other assets	(350)	(111)
(Increase)/decrease in deferred tax assets	(406)	202
Increase/(decrease) in trade and other payables	(290)	1,061
Increase in provisions	109	146
Increase in current tax liabilities	378	775
Increase/(decrease) in deferred tax liabilities	-	(162)
<b>Net cash inflow from operations</b>	<b>7,920</b>	<b>8,139</b>

## Notes to the Financial Statements for the year ended 30 June 2010

### 36. EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>cents</b>	cents
<b>a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	<b>11.5</b>	7.67
<b>b) Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	<b>10.0</b>	6.66
	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>c) Reconciliations of earnings used in calculating earnings per share:</b>		
Basic earnings per share		
Profit from continuing operations	6,791	4,533
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	6,791	4,533
Diluted earnings per share		
Profit from continuing operations	6,791	4,533
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	6,791	4,533
	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>number</b>	number
<b>d) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used as the denominator in calculating basic earnings per share	<b>59,158,193</b>	59,108,521
Adjustments for calculation of diluted earnings per share:		
Options	<b>9,000,000</b>	9,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>68,158,193</b>	68,108,521

#### **e) Information concerning the classification of securities**

##### Options

Details of options granted during the year can be found in section D of the remuneration report on pages 9 to 15. These options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

## 37. SHARE-BASED PAYMENTS

### a) Options

The Group does not have an employee option plan. However, in return for entering into a Consultancy Deed with the Company, 3,000,000 options were granted during the financial year ended 30 June 2006 to each of two directors – Howard Cearns and Nic Trimboli.

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

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Value per option at grant date</b>	<b>Date exercisable</b>
10 November 2005	10 November 2010	\$1.00	\$0.2429	Between 10 August 2010 and 10 November 2010

If the Consultancy Deed between the Group and the consultant is terminated prior to the Vesting Date, the options shall automatically lapse. The options carry no dividend or voting rights.

The fair value at grant date was 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 the options detailed above included:

- a) options are granted for no consideration, and all options vest and are exercisable 57 months from the grant date
- b) exercise price: \$1.00
- c) grant date: 10 November 2005
- d) expiry date: 10 November 2010
- e) share price at grant date: \$1.00
- f) expected price volatility of the Company's shares: 30%
- g) expected dividend yield: 4.0%
- h) risk-free interest rate: 5.38%

The expected price volatility was based on an assessment of the volatility of listed entities of a similar size, and in similar industries. As the Group's shares were unlisted at the time the Options were issued, historical volatility could not be used.

## Notes to the Financial Statements for the year ended 30 June 2010

### 37. SHARE-BASED PAYMENTS (continued)

In July 2007 a further grant on similar terms was made to Phil Sexton, a brewing industry consultant and former director of the Group. The terms and conditions of the grant made are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
1 July 2007	30 June 2012	\$1.63	\$0.47	Between 1 April 2012 and 30 June 2012

The fair value at grant date was determined using a Black–Sholes option pricing model with the following input assumptions:

- options are granted for no consideration, and all options are exercisable 57 months from the grant date
- exercise price: \$1.63
- grant date: 1 July 2007
- expiry date: 30 June 2012
- share price at grant date: \$1.63
- expected price volatility of the Company's shares: 35.52%
- expected dividend yield: 4.0%
- risk-free interest rate: 6.17%

No options were exercisable during the year ended 30 June 2010 and 1,000,000 options had vested as at 30 June 2010.

The total option expense for the year ended 30 June 2010 was \$489,385.

#### b) Achievement Rights Plan

Some key management and other senior personnel have been assessed as being eligible to participate in the Group's Achievement Rights Plan, as part of their remuneration. Participation in the Plan is by invitation of the Board and is subject to the following performance criteria:

- Achievement Rights vest on rolling two year terms.
- Achievement Rights will be granted based on the Board's assessment of the achievement of pre-determined Key Performance Indicators (KPIs) relevant to the executive.

The aim of the Achievement Rights Plan is to attract and retain high calibre people, while aligning the interests of such people with the shareholders of the Group.

Each year, the Nomination and Remuneration Committee considers the appropriate targets and KPIs for each executive. The Committee is responsible for assessing whether the KPIs are met. In assessing the number of rights for which the executive will be invited to apply, the Committee applies the following formula to determine the maximum number of rights:

$$P = \frac{p \times BS}{S}$$

Where

- P = the maximum number of Achievement Rights for which the executive will be invited to apply.
- p = pre-determined percentage of base salary.
- BS = the base salary payable under the executive's contract of employment in respect of the relevant financial year.
- S = the volume weighted average price of shares traded on Australian Stock Exchange Limited for the 30 days following the release of the Group's financial report for the previous financial year.

### 37. SHARE-BASED PAYMENTS (continued)

The number of rights for which each participating executive is invited to apply is adjusted up or down by an amount determined by the Committee having regard to the extent to which KPIs relevant to the executive have been met.

Since year end, the Committee has assessed whether KPIs were met by each of the eligible executives and an accrual of \$185,236 (2009: \$111,786) has been made in respect of Achievement Rights expected to be granted to all participants in relation to the year ended 30 June 2010.

Once vesting conditions are satisfied, an executive will be entitled to one ordinary share for each vested Achievement Right. The executive may then elect to exercise the vested Achievement Rights and request that the Company arrange for the transfer the relevant number of shares to the executive.

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

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Options issued	<b>489</b>	724
Achievement Rights Plan expense	<b>185</b>	91
	<b>674</b>	815

### 38. FINANCIAL INSTRUMENTS

#### Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	note	<b>Carrying amount</b>	
		<b>2010</b>	2009
		<b>\$'000</b>	\$'000
Receivables	12	<b>4,445</b>	3,687
Cash and cash equivalents	11	<b>670</b>	1,277
Other financial assets	15	<b>385</b>	310
		<b>5,500</b>	5,274

The Group's most significant customer accounts for \$1,754,075 of the trade receivables carrying amount at 30 June 2010 (2009 \$934,438).

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

	<b>Gross</b>	<b>Impairment</b>	Gross	Impairment
	<b>2010</b>	<b>2010</b>	2009	2009
	<b>\$'000</b>	<b>\$'000</b>	\$'000	\$'000
Not past due	<b>4,225</b>	–	3,158	–
Past due 0–30 days	<b>70</b>	–	154	–
Past due 31–120 days	<b>16</b>	<b>16</b>	51	15
Past due 121 days to one year	–	–	–	–
More than one year	–	–	28	28
	<b>4,311</b>	<b>16</b>	3,392	43

## Notes to the Financial Statements for the year ended 30 June 2010

### 38. FINANCIAL INSTRUMENTS (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Balance at 1 July	<b>44</b>	108
Impairment loss recorded	<b>(28)</b>	(65)
Balance at 30 June	<b>16</b>	43

The impairment loss at 30 June 2010 of \$15,940 is attributable to five customers.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days; the majority of the balance relates to customers that have a good credit history with the Group.

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 30 June 2010	Carrying amount \$'000	Contract. Cash flows \$'000	6 mths or less \$'000	6–12 mths \$'000	1–2 years \$'000	2–5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities:							
Commercial bills <sup>1</sup>	16,000	(17,708)	(466)	(466)	(16,766)	–	–
Trade and other payables	3,658	(3,658)	(3,658)	–	–	–	–
	<b>19,658</b>	<b>(21,366)</b>	<b>(4,124)</b>	<b>(466)</b>	<b>(16,766)</b>	<b>–</b>	<b>–</b>
<b>30 June 2009</b>							
Non-derivative financial liabilities:							
Commercial bills <sup>1</sup>	18,500	(20,853)	(588)	(588)	(1,177)	(18,500)	–
Trade and other payables	4,111	(4,111)	(4,111)	–	–	–	–
	<b>22,611</b>	<b>(24,964)</b>	<b>(4,699)</b>	<b>(588)</b>	<b>(1,177)</b>	<b>(18,500)</b>	<b>–</b>

1. The Group's debt facility with the National Australia Bank extends to 30 April 2012 and as such the Group may roll the commercial bills over until that date.

## 38. FINANCIAL INSTRUMENTS (continued)

### Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

All amounts in (\$'000)	AU\$	Euro	US\$	GBP	NZD
	<b>30 June 2010</b>				
Trade receivables	–	–	–	–	–
Trade payables	247	2	11	87	97
Gross balance sheet exposure	247	2	11	87	97
Estimated forecast sales	–	–	–	–	–
Estimated forecast purchases	411	149	5	100	20
Gross exposure	411	149	5	100	20
Forward exchange contracts	–	–	–	–	–
Net exposure	658	151	16	187	117

All amounts in (\$'000)	AU\$	Euro	US\$	GBP	NZD
	<b>30 June 2009</b>				
Trade receivables	–	–	–	–	–
Trade payables	293	123	2	17	53
Gross balance sheet exposure	293	123	2	17	53
Estimated forecast sales	–	–	–	–	–
Estimated forecast purchases	256	5	186	–	20
Gross exposure	256	5	186	–	20
Forward exchange contracts	–	–	–	–	–
Net exposure	549	128	188	17	73

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
Euro 1	<b>0.6513</b>	0.5527	<b>0.6994</b>	0.5727
US \$ 1	<b>0.9042</b>	0.7611	<b>0.8556</b>	0.8045
GBP	<b>0.5734</b>	0.4708	<b>0.5684</b>	0.4870
NZD	<b>1.2814</b>	1.2462	<b>1.2308</b>	1.2428

### Sensitivity analysis

A 5% strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

## Notes to the Financial Statements for the year ended 30 June 2010

### 38. FINANCIAL INSTRUMENTS (continued)

	Consolidated	
	Equity \$'000	Profit or \$'000
<b>30 June 2010</b>		
Euro	–	–
GBP	–	7
US\$	–	4
NZD	–	2
<b>30 June 2009</b>		
Euro	–	11
GBP	–	2
US\$	–	–
NZD	–	2

A 5% weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Interest Rate Risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated Carrying Amount	
	2010 \$'000	2009 \$'000
<b>Fixed rate instruments</b>		
Cash	–	–
Commercial bills	<b>(9,000)</b>	(14,500)
	<b>(9,000)</b>	(14,500)
<b>Variable rate instruments</b>		
Cash	<b>670</b>	1,277
Commercial bills	<b>(7,000)</b>	(4,000)
	<b>(6,330)</b>	(2,723)

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

### 38. FINANCIAL INSTRUMENTS (continued)

	Profit or loss		Equity	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
<b>30 June 2010</b>				
Variable rate instruments	(63)	63	–	–
Cash flow sensitivity (net)	(63)	63	–	–
<b>30 June 2009</b>				
Variable rate instruments	(27)	27	–	–
Cash flow sensitivity (net)	(27)	27	–	–

#### Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2010		30 June 2009	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Consolidated</b>				
Cash and cash equivalents	670	670	1,277	1,277
Receivables	4,445	4,445	3,687	3,687
Other financial assets – unlisted shares	385	385	310	310
Commercial bills (fixed and floating)	(16,000)	(16,000)	(18,500)	(18,515)
Trade and other payables	(3,658)	(3,658)	(4,111)	(4,095)
	<b>(14,158)</b>	<b>(14,158)</b>	<b>(17,337)</b>	<b>(17,337)</b>

The basis for determining fair values is disclosed in note 4.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
<b>30 June 2010</b>				
Other financial assets – unlisted shares	-	-	385	385
	-	-	385	385
<b>30 June 2009</b>				
Other financial assets – unlisted shares	-	-	385	385
	-	-	385	385

## **Notes to the Financial Statements for the year ended 30 June 2010**

### **39. DEED OF CROSS GUARANTEE**

Pursuant to ASIC Class Order 98/1418 (as amended) dated 1 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of a winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions for the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event the Company is wound up.

The subsidiaries subject to the Deed are:

- Little Creatures Brewing Pty Ltd
- Fremantle Harbour Properties Pty Ltd
- Little Green Steps Pty Ltd

## Directors' Declaration

In the opinion of the directors of Little World Beverages Limited (the "Company"):

- (a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration report in the Director's report, set out on pages 6 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
- (c) 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

The directors have been given the declarations by those who perform a chief executive role and the Chief Financial Officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

This declaration is made in accordance with a resolution of directors this 24th day of August 2010.



Ian Cochrane  
Chairman

# Independent Auditor's report to the members of Little World Beverages Limited



## Independent auditor's report to the members of Little World Beverages Limited

### Report on the financial report

We have audited the accompanying financial report of the Group comprising Little World Beverages Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated balance sheet as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### *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 control 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 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

### *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group'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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(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 auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Little World Beverages Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Trevor Hart  
*Partner*

Perth

24 August 2010

## ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 18 August 2010.

### Distribution of equity securities

Analysis of number of equity security holders by size of holding:

Size of holding	Number of shareholders	Number of ordinary shares	Percentage of issued capital
1 – 1,000	371	243,183	0.41%
1,001 – 5,000	440	1,286,362	2.17%
5,001 – 10,000	145	1,217,164	2.06%
10,001 – 100,000	122	3,411,411	5.77%
100,001 and over	20	53,006,986	89.59%
Total shareholders	1,098	59,165,106	100.00%

Number of shareholders holding less than a marketable parcel - \$500.00 (basis price - \$2.45)

25 2,890 0.01%

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of Ordinary Shares	Percentage of Issued Capital
1 Anglo-Gaelic Investments Pty Ltd	23,650,123	39.97%
2 UBS Wealth Management Australia Nominees	16,657,055	28.15%
3 Howard Davies Cairns	3,937,500	6.66%
4 Nicola Trimboli	3,440,000	5.81%
5 Eureka Nominees Pty Ltd	1,360,000	2.30%
6 Passchendaele Ridge Pty Ltd	803,928	1.36%
7 Spar Nominees Pty Ltd	767,889	1.30%
8 Perth Investment Corporation	570,000	0.99%
9 Back Veranda Pty Ltd	312,500	0.53%
10 Minalti Pty Ltd	255,870	0.43%
11 Nicholas C & K M Lyons	200,000	0.34%
12 Swanshore Enterprises Pty Ltd	200,000	0.34%
13 Deering Nominees Pty Ltd	183,900	0.31%
14 Erinstone Pty Ltd	176,846	0.30%
15 Erinette Pty Ltd	159,674	0.27%
16 Hedley Pty Ltd	147,500	0.25%
17 Eugob Nominees	125,000	0.21%
18 Jonathan Dalitz	124,201	0.21%
19 Argyle Holdings	100,000	0.17%
20 Tegra PL	100,000	0.17%
	53,271,986	90.04%
Shares on issue as at 30 June 2010	59,165,106	

## Unquoted equity securities

	<b>Number on issue</b>	<b>Number of holders</b>
Options issued to take up ordinary shares	9,000,000	3

## Substantial holders

Substantial holders in the Company are set out below:

<b>Name</b>	<b>Number of ordinary shares</b>	<b>Percentage of issued capital</b>
Anglo-Gaelic Investments Pty Limited, Lion Nathan Limited, Lion Nathan Australia Pty Limited and their subsidiaries and Kirin Brewing Company Limited	23,650,123	39.97%
Fini Group Pty Ltd and Yalaba Pty Ltd atf Adriano G Fini Trust and Yalaba Pty Ltd atf the Yalaba Super Fund	10,394,621	17.57%
Nicola Trimboli atf The Nic and Rose Trimboli Family Trust and Eureka Nominees Pty Ltd atf The Trimboli Family Trust	4,860,000	8.22%
Touchdown Holdings Pty Ltd atf The Alex Trust and Touchdown Holdings Pty Ltd atf The David and Jenny Martin Superannuation Fund	4,550,000	7.69%
Howard Davies Cearns atf The Cearns Family Trust and Back Veranda Pty Ltd atf Back Veranda Superannuation Fund	4,303,800	7.28%

## Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) All ordinary shares carry one vote per share without restriction
- (b) Options have no voting rights

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