



# Little World Beverages LIMITED

This is an important document and requires your immediate attention.

You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

## SCHEME BOOKLET LITTLE WORLD BEVERAGES LIMITED

ABN 25 081 128 225

In relation to a proposal from Anglo-Gaelic Investments Pty Ltd, a wholly-owned subsidiary of Lion Pty Ltd, to acquire all the ordinary shares in LWB it does not already hold by way of scheme of arrangement.

The Non-Lion Directors unanimously recommend that you **vote in favour of the Scheme**, in the absence of a Superior Proposal.

Each Non-Lion Director intends to vote the LWB Shares they own or control in favour of the Scheme, in the absence of a Superior Proposal.

A Notice of Scheme Meeting is included as Annexure D to this Scheme Booklet, and a Proxy Form for the Scheme Meeting accompanies this Scheme Booklet. The Scheme Meeting will be held at 4:30pm (Perth time) on Monday, 17 September 2012 at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia.

FINANCIAL ADVISER



AUSTRALIAN  
LEGAL ADVISER

**Freehills**



# Important notices

## Nature of this document

This Scheme Booklet provides LWB Shareholders with information about the proposed acquisition of LWB by AGI, a wholly-owned subsidiary of Lion.

If you have sold all of your LWB Shares, please ignore this Scheme Booklet.

## Regulatory information

This Scheme Booklet is the explanatory statement for the proposed scheme of arrangement between LWB and the Scheme Participants as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act, and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to LWB Shareholders.

ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notices of the meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for, the content of, the explanatory statement.

## Responsibility for information

LWB has been solely responsible for preparing this Scheme Booklet, and the Lion Group and its directors and officers do not assume any responsibility for the accuracy or completeness of this Scheme Booklet, except that:

- AGI has been solely responsible for preparing the Lion Information. LWB and its directors and officers do not assume any responsibility for the accuracy or completeness of any Lion Information, except to the extent that LWB has provided AGI with information for the purpose of AGI preparing information on the merged entity following implementation of the Scheme.
- Ernst & Young Transaction Advisory Services Limited has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A.

## Forward looking information

Certain statements in this Scheme Booklet are about the future.

LWB Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of LWB to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct, results,

performance or achievements to be materially different from historical conduct, results, performance or achievements.

These risks, uncertainties, assumptions and other important factors include, among other things, the risks set out in section 7.4 of this Scheme Booklet.

None of the LWB Group or the Lion Group, or any of their directors, officers or advisers, or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur.

LWB Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only as at the date of this Scheme Booklet. Additionally, statements of the intentions of the Lion Group reflect present intentions as at the date of this Scheme Booklet and may be subject to change.

Subject to the Corporations Act and any other applicable laws, the LWB Group and the Lion Group disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to the making of a decision regarding whether or not to vote in favour of the Scheme.

## Not investment advice

This Scheme Booklet does not take into account the investment objectives, financial situation, tax position or particular needs of any LWB Shareholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for any decision in relation to LWB Shares or any other securities. LWB Shareholders should seek independent advice before making any decision regarding the Scheme or their LWB Shares.

## Privacy

The LWB Group and the Lion Group may collect personal information in the process of implementing the Scheme. This information includes your name, contact details, information on your shareholding in LWB and the name of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist LWB and the Lion Group to conduct the Scheme Meeting and implement the Scheme. Personal information of the type described above may be disclosed to the LWB Registry, print and mail service providers, authorised securities brokers and Related Bodies Corporate and advisers of LWB and the Lion Group. LWB Shareholders have certain rights to access personal information that has been collected. If you would like to obtain details of information about you held by LWB, please contact LWB's Company Secretary, Jason Markwart, on +61 8 9338 8500.

## Defined terms and interpretation

A number of defined terms are used in this Scheme Booklet. These terms are capitalised and have the meaning set out in section 13.1 of this Scheme Booklet.

Section 13.1 also explains how to interpret some of the information included in this Scheme Booklet, for example dollar amounts and references to time.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Scheme Booklet.

## Date of Scheme Booklet

This Scheme Booklet is dated 13 August 2012.

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# 1 Key dates

Date of this Scheme Booklet	13 August 2012
First Court Hearing	13 August 2012
Latest time and date for receipt of Proxy Forms for Scheme Meeting	4:30pm (Perth time), 15 September 2012
Time and date for determining eligibility to attend and vote at Scheme Meeting	4:30pm (Perth time), 15 September 2012
Scheme Meeting to be held at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia	4:30pm (Perth time), 17 September 2012

## If the Scheme is approved by LWB Shareholders:

Special Dividend determined*	17 September 2012
Second Court Hearing (for approval of the Scheme)	19 September 2012
Outcome of Second Court Hearing announced to ASX	19 September 2012
Effective Date	19 September 2012
Court order lodged with ASIC and announcement to ASX	
Last date for trading in LWB Shares on ASX	
Special Dividend Record Date*	26 September 2012
Scheme Record Date	28 September 2012
Implementation Date	8 October 2012
Payment of Special Dividend*	
Payment of Scheme Consideration	

\* Subject to receipt of a favourable Class Ruling (or a draft of it which is reasonably satisfactory to LWB and AGI) and the determination of the LWB Board.

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on LWB's website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

## 2 Letter from the Chairman of LWB



Dear LWB Shareholder,

As you may be aware, LWB announced on 18 June 2012 that it had entered into a Scheme Implementation Agreement with its major shareholder, Anglo-Gaelic Investments Pty Ltd (a wholly-owned subsidiary of Lion Pty Ltd) (**AGI**), under which it is proposed that AGI will acquire all of the LWB Shares that it does not already own by way of a scheme of arrangement (**Scheme**).

If the Scheme proceeds, LWB Shareholders (other than AGI) will receive a total of \$5.30 per LWB Share (**Total Payment**). The Total Payment is expected to comprise:

- a cash payment of \$5.10 for each LWB Share held by Scheme Participants as at the Scheme Record Date; and
- subject to LWB receiving a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), a fully franked Special Dividend of \$0.20 for each LWB Share held by LWB Shareholders as at the Special Dividend Record Date.

If LWB does not receive a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board will not determine to pay the Special Dividend and the Total Payment will be a cash payment of \$5.30 per LWB Share held by Scheme Participants as at the Scheme Record Date.

The Total Payment represents a substantial premium to LWB's historical trading prices and also compares favourably to comparable precedent transactions.

LWB has achieved very strong growth since listing on ASX in 2005. During that time, LWB has developed into a leading participant in the Australian craft beer market.

While LWB continues to have a positive outlook as an independent ASX-listed company, the Non-Lion Directors believe that the pricing under the Scheme is very attractive, and appropriately recognises the inherent value in the company's brands and its growth opportunities. The Scheme also provides certain cash proceeds for your shares in LWB at a time of high equity market volatility and uncertainty surrounding the global economic outlook.

**Your Non-Lion Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal. Subject to this same qualification, each of those Directors intends to vote all the LWB Shares owned or controlled by them in favour of the Scheme.**

You should read this Scheme Booklet carefully and in its entirety, including the reasons to vote in favour or against the Scheme set out in section 4, before making any decision on how to vote on the Scheme Resolution.

Furthermore, the Independent Expert, Ernst & Young Transaction Advisory Services Limited, has concluded that the Scheme is in the best interests of LWB Shareholders. The Independent Expert has assessed the full underlying value of LWB at between \$4.32 and \$5.05, with a midpoint value of \$4.68 per LWB Share. The Total Payment of \$5.30 per LWB Share implies a premium to the assessed fair value of a LWB Share of between 4.9% and 22.7%, with a midpoint of 13.1%.

Your vote is important and I encourage you to vote either by attending the Scheme Meeting, to be held on Monday, 17 September 2012 at 4:30pm (Perth time) at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia or by lodging a proxy vote. A proxy form is provided with this Scheme Booklet. Further information on how to vote, including instructions on lodging a proxy form, is set out in section 10 of this Scheme Booklet.

Yours sincerely,



Ian Cochrane  
Chairman

### 3 Letter from the Chief Executive Officer of Lion



Dear LWB Shareholder,

On 18 June 2012, Lion announced that it had reached an agreement with the Board of Little World Beverages Limited (**LWB**) to acquire, via its wholly owned subsidiary Anglo-Gaelic Investments Pty Ltd (**AGI**), all of the shares in LWB that it did not already own by way of a Scheme of Arrangement (**Scheme**).

Under the terms of the Scheme, LWB Shareholders (other than AGI) will receive a Total Payment of \$5.30 in cash per LWB Share they own. Full details of Lion's proposal are set out in this Scheme Booklet.

Lion is confident that the Scheme is compelling for you as a LWB Shareholder, offering an attractive premium for your LWB Shares and the certainty of all cash consideration. In particular, the Total Payment of \$5.30 per LWB Share represents a 39.8% premium to the ASX closing price for LWB Shares of \$3.79 on 15 June 2012 (being the last trading day prior to the announcement of the Scheme on 18 June 2012). The implied premium is even more compelling when considered against the prices at which LWB Shares have traded over the previous six months.

Lion also believes that its proposal compares favourably to other recent transactions in the domestic beer market.

Lion has been a supportive long-term shareholder in LWB and has great respect for the achievements of the founders, Board, management and people of LWB, who have built a portfolio of some of the most iconic brands in the Australian craft beer segment. Lion has demonstrated experience in the craft beer segment and recognises the importance of retaining the distinct and individual brand positioning that is unique to LWB.

Under Lion, LWB's brands will maintain their unique character and heritage, whilst benefiting from Lion's operational expertise and scale.

Lion is delighted that the Non-Lion Directors have unanimously recommended that LWB Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the same qualification, have each confirmed their intention to vote all the shares in LWB held or controlled by them in favour of the Scheme. Additionally, the Independent Expert has concluded that the Scheme is in the best interests of LWB Shareholders.

On behalf of the Lion Board, I encourage you to read this important document in its entirety and to vote in favour of the Scheme.

Yours sincerely,

Robert Murray

Chief Executive Officer, Lion Pty Limited & Director, Anglo-Gaelic Investments Pty Ltd

## 4 Considerations relevant to your vote

### 4.1 Summary

#### Reasons to vote in favour of the Scheme

- ✓ Your Non-Lion Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of LWB Shareholders
- ✓ The Total Payment represents a significant premium to LWB's historical trading prices
- ✓ The Total Payment compares favourably to comparable precedent transactions
- ✓ The Total Payment delivers certain cash proceeds at a time of high equity market volatility and in an uncertain global economic environment
- ✓ The Special Dividend (if paid) will be fully franked, which may have value for certain LWB Shareholders
- ✓ An alternative proposal is considered unlikely and none has emerged as at the date of this Scheme Booklet
- ✓ The LWB Share price is likely to fall if the Scheme is not implemented
- ✓ No brokerage or stamp duty will be payable on the transfer of your LWB Shares under the Scheme

Reasons to vote in favour of the Scheme are discussed in more detail in section 4.2 of this Scheme Booklet.

#### Reasons you may choose to vote against the Scheme

- ✗ You may disagree with the Non-Lion Directors and the Independent Expert and believe that the Scheme is not in your best interests
- ✗ If the Scheme proceeds, you will no longer be a LWB Shareholder and you will not participate in any potential upside that may result from being a LWB Shareholder
- ✗ The tax consequences of the Scheme for you may not be suitable to your financial position
- ✗ You may consider that there is potential for a Superior Proposal to be made in relation to LWB in the foreseeable future

Reasons why you may not want to vote in favour of the Scheme are discussed in more detail in section 4.3 of this Scheme Booklet.



## 4.2 Reasons to vote in favour of the Scheme

### (a) Your Non-Lion Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal

Your Non-Lion Directors believe the Scheme is in the best interests of LWB Shareholders and unanimously recommend that, in the absence of a Superior Proposal emerging, you vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, the Non-Lion Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet, and LWB's current strategic plans.

The Non-Lion Directors believe that the amount of the Total Payment is highly attractive and that the Scheme provides an opportunity for you to realise cash value in the near term, which may not be achieved if the Scheme does not proceed. The Non-Lion Directors believe the Total Payment appropriately recognises the inherent value in LWB's brands and further growth opportunities, including the expected benefits of the Geelong brewery when commissioned.

Each Non-Lion Director intends to vote the LWB Shares that they own or control in favour of the Scheme, in the absence of a Superior Proposal. The interests of the Directors are set out in section 12.1 of this Scheme Booklet.

The Lion Nominee Director is also an employee of Lion and, on that basis, makes no recommendation in relation to the Scheme. Further details relating to the Lion Nominee Director are set out in section 8.1(e) of this Scheme Booklet.

### (b) The Independent Expert has concluded that the Scheme is in the best interests of LWB Shareholders

The Independent Expert, Ernst & Young Transaction Advisory Services Limited, has assessed the fair value of LWB Shares on a 100% controlling interest basis to be in the range of between \$4.32 and \$5.05, with a midpoint of \$4.68. The Total Payment of \$5.30 per LWB Share implies a premium to the assessed fair value of a LWB Share of between 4.9% and 22.7%, with a midpoint of 13.1%.

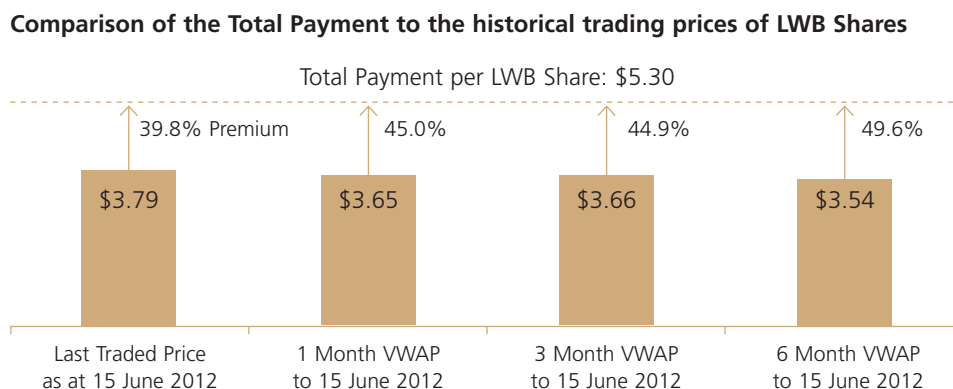
The Independent Expert has concluded that:

***“Based on the analysis conducted throughout this report, which shows that AGI is offering a premium to the fair value of a LWB share, in our opinion, the Scheme is ‘fair and reasonable’ and is therefore in the best interests of LWB Shareholders.”***

A complete copy of the Independent Expert's Report is included as Annexure A to this Scheme Booklet and your Non-Lion Directors encourage you to read the report in full.

### (c) The Total Payment represents a significant premium to LWB's historical trading prices

The Total Payment of \$5.30 per LWB Share, which will be paid if the Scheme is approved and implemented, represents a significant premium to LWB's historical trading prices, as summarised in the chart below.



Source: IRESS. IRESS has not consented to the use of any trading data in this Scheme Booklet.

NOTES: (1) 15 June 2012 represents the last ASX trading day prior to announcement of the Scheme.

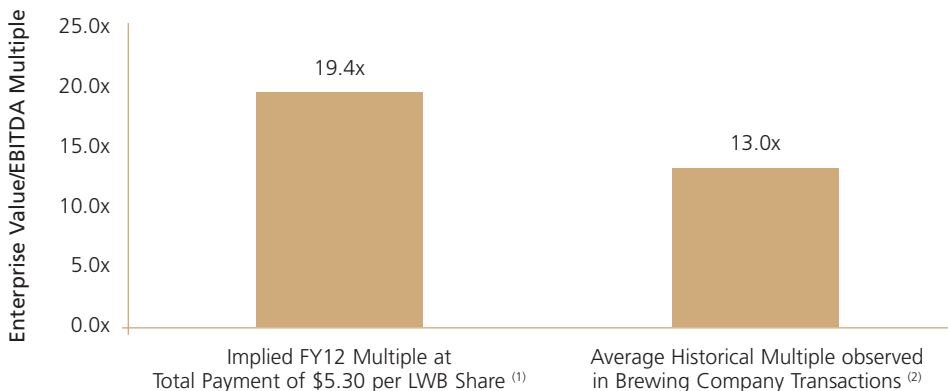
## 4 Considerations relevant to your vote (continued)

The Total Payment is also significantly above the all-time high closing price for LWB Shares prior to the announcement of the Scheme of \$4.02 on 1 April 2011.

### (d) The Total Payment compares favourably to comparable precedent transactions

The Total Payment of \$5.30 per LWB Share represents an implied multiple of earnings which is above the average of Australian and international comparable precedent transaction multiples, as considered by the Independent Expert in the Independent Expert's Report. These are highlighted in the chart below and set out in full in Annexure A to this Scheme Booklet.

#### Comparison of implied multiples of earnings



NOTES: (1) Based on: (a) an implied enterprise value of \$391.7m comprising an implied equity value of \$362.5m and net debt of \$29.3m (as at 30 June 2012); and (b) EBITDA of \$20.2m (for the year ended 30 June 2012). Implied equity value is based on fully diluted shares on issue of 68,387,655, which includes 146,479 LWB Shares to be issued on the vesting of Achievement Rights.

(2) Refer to Appendix C of the Independent Expert's Report for details of the comparable transactions.

### (e) The Total Payment delivers certain cash proceeds at a time of high equity market volatility and in an uncertain global economic environment

The Total Payment of \$5.30 per LWB Share provides a high degree of certainty of value and timing. Specifically, if the Scheme proceeds, it is expected that the Total Payment will be paid by 8 October 2012.

In contrast, if the Scheme does not proceed, the amount which LWB Shareholders will be able to realise for their investment in LWB Shares will necessarily be uncertain. Among other things, their investment will be subject to the performance of LWB's business from time to time, general economic conditions and movements in the share market, which has been highly volatile in recent times. The Scheme removes this uncertainty for Scheme Participants. For further details of the risks relating to an investment in LWB, see section 7.4 of this Scheme Booklet.

### (f) The Special Dividend will be fully franked which may have value for certain LWB Shareholders

If LWB receives a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board intends to determine to pay LWB Shareholders the Special Dividend of \$0.20 in relation to each LWB Share held by them as at the Special Dividend Record Date, conditional on the Scheme becoming Effective.

The Special Dividend will be fully franked with approximately \$0.086 of Australian franking credits which may have incremental value for certain LWB Shareholders.

LWB Shareholders will not receive the Special Dividend if the Scheme does not proceed.

You should refer to section 11 of this Scheme Booklet for further details and consult your own taxation adviser to determine the tax consequences relevant to your individual circumstances.

(g) An alternative proposal is considered unlikely and none has emerged as at the date of this Scheme Booklet

Since the announcement by LWB of the Scheme on 18 June 2012, no alternative proposal has emerged.

Given the time that has elapsed since the announcement of the Scheme, and the fact that AGI currently holds 34.66% of LWB, your Non-Lion Directors believe that an alternative proposal is unlikely to emerge.

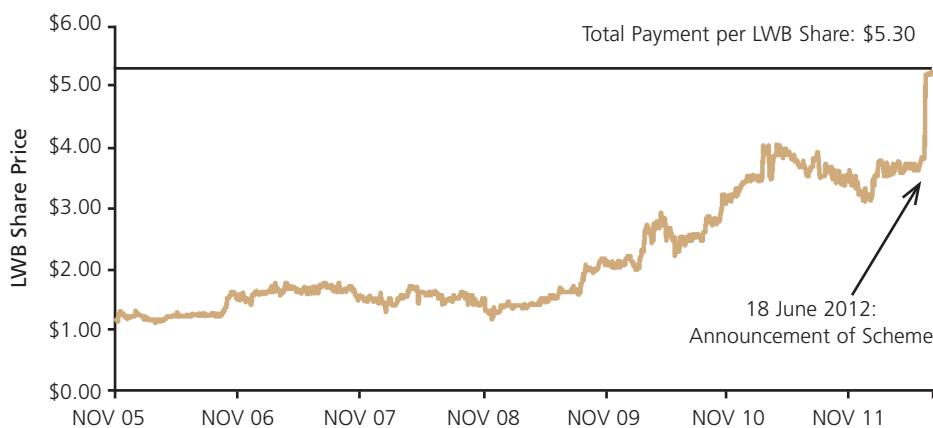
However, there remains the possibility that a third party may make an alternative proposal prior to the Scheme Meeting. The LWB Directors will notify LWB Shareholders if an alternative proposal is received before the Scheme Meeting.

(h) The LWB Share price is likely to fall if the Scheme is not implemented

The Total Payment represents a premium of approximately 39.8% to the last traded price of LWB Shares as at 15 June 2012, being the last ASX trading day immediately prior to the announcement of the Scheme.

The LWB Share price rose significantly following the announcement by LWB of the Scheme on 18 June 2012, as shown in the graph below.

**LWB Share price performance since listing on ASX**



Your Non-Lion Directors believe that if the Scheme is not approved and no Superior Proposal emerges, the LWB Share price is likely to trade at levels below the price at which it has traded since 18 June 2012.

This view is shared by the Independent Expert who states that: *"If the Scheme is not approved or is not completed it is unlikely that LWB's shares would continue to trade at current prices."*

(i) No brokerage or stamp duty will be payable on the transfer of your LWB Shares under the Scheme

Scheme Participants will not incur any brokerage or stamp duty on the transfer of their LWB Shares under the Scheme.

## 4 Considerations relevant to your vote (continued)

### 4.3 Reasons you may choose to vote against the Scheme

- (a) You may disagree with the Non-Lion Directors and the Independent Expert and believe that the Scheme is not in your best interests

You may disagree with the conclusion of the Non-Lion Directors and the Independent Expert that the Scheme is in the best interests of LWB Shareholders.

- (b) If the Scheme proceeds, you will no longer be a LWB Shareholder and you will not participate in any potential upside that may result from being a LWB Shareholder

If the Scheme proceeds, you will cease to be a LWB Shareholder. As such:

- you will cease to participate in the future financial performance and prospects of LWB's ongoing business;
- you will forego any future dividends from LWB and no longer participate in any potential share price appreciation; and
- you will lose your voting rights as a LWB Shareholder and, therefore, your ability to influence the future direction of LWB. All future benefits, risks and costs associated with being a LWB Shareholder will accrue exclusively to AGI, as the sole LWB Shareholder following implementation of the Scheme.

You may believe that LWB will deliver greater returns over the long term by remaining an independent company. However, if you retain your investment in LWB, you will be exposed to the inherent risks associated with such an investment. Further information regarding these risks is provided in section 7.4 of this Scheme Booklet.

- (c) The tax consequences of the Scheme for you may not be suitable to your financial position

Implementation of the Scheme may trigger tax consequences for Scheme Participants, which may arise earlier than may otherwise have been the case. Section 11 of this Scheme Booklet provides a general outline of the main Australian taxation implications of the Scheme for certain LWB Shareholders. All LWB Shareholders should consult with their own taxation advisers regarding the Australian and, if applicable, foreign taxation implications of the Scheme given the particular circumstances that apply to them.

- (d) You may consider that there is potential for a superior proposal to be made in relation to LWB in the foreseeable future

You may consider that there is the potential that a superior proposal could emerge in the foreseeable future. However, for the reasons noted below, the Non-Lion Directors consider that a superior proposal is unlikely to emerge in the foreseeable future as:

- AGI already holds 34.66% of LWB;
- since the announcement of the Scheme on 18 June 2012 and up to the date of this Scheme Booklet, no alternative proposal has been received; and
- the Scheme Implementation Agreement prohibits LWB from soliciting proposals for Competing Transactions during the Exclusivity Period (which expires on 17 December 2012) subject to certain qualifications and exceptions.

For further information on LWB's exclusivity arrangements with AGI, including qualifications and exceptions to those arrangements, refer to section 9 of this Scheme Booklet.

## 5 Frequently asked questions

Question	Answer	See section(s) ...
<b>Questions about the Scheme and what you will receive</b>		
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement between LWB and Scheme Participants.</p> <p>If the Scheme becomes Effective, then AGI will acquire all LWB Shares that it does not already own and LWB will become a wholly-owned subsidiary of AGI.</p> <p>A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company. If the Scheme becomes Effective, the outcome on implementation will be similar to a successful 100% takeover bid for LWB.</p>	6
<b>What will I receive?</b>	<p>If the Scheme becomes Effective, you will receive the Total Payment of \$5.30 per LWB Share.</p> <p>The Total Payment is expected to comprise:</p> <ul style="list-style-type: none"> <li>• a cash payment of \$5.10 for each LWB Share you own as at the Scheme Record Date; and</li> <li>• subject to LWB receiving a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), a fully franked Special Dividend of \$0.20 for each LWB Share you own as at the Special Dividend Record Date.</li> </ul> <p>If LWB does not receive a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board will not determine to pay the Special Dividend and the Total Payment will be a cash payment of \$5.30 per LWB Share you own as at the Scheme Record Date.</p>	6.2
<b>Can I choose to receive part of the Total Payment in the form of the Special Dividend?</b>	<p>No. The way the Total Payment is made will depend on whether LWB receives a favourable Class Ruling and whether the LWB Board determines to pay the Special Dividend.</p> <p>If LWB does receive a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board intends to determine to pay you the Special Dividend for each LWB Share you own as at the Special Dividend Record Date, conditional on the Scheme becoming Effective.</p> <p>If LWB does not receive a favourable Class Ruling, the LWB Board will not determine to pay the Special Dividend and the Total Payment will be a cash payment of \$5.30 per LWB Share you own as at the Scheme Record Date.</p>	6.2
<b>When will I be paid?</b>	Payment of the Total Payment is expected to be made on or about 8 October 2012.	6.2 and 9.9
<b>How will I be paid?</b>	All payments will be made by direct deposit into your nominated bank account, as advised to the LWB Registry before the applicable record date. If you have not nominated a bank account, payment will be by cheque.	6.2

## 5 Frequently asked questions (continued)

Question	Answer	See section(s) ...
<b>What happens if the Scheme does not proceed?</b>	<p>If the Scheme does not proceed:</p> <ul style="list-style-type: none"> <li>• you will not receive the Scheme Consideration or the Special Dividend;</li> <li>• LWB will remain listed on ASX;</li> <li>• you will keep your LWB Shares and continue to participate in the benefits of, and continue to be exposed to the risks associated with, an investment in LWB; and</li> <li>• the price of LWB Shares on ASX is likely to fall.</li> </ul>	6.6
<b>What are the tax implications of the Scheme?</b>	<p>A general summary of the Australian tax implications for Australian residents and non-residents is set out in section 11 of this Scheme Booklet.</p> <p>You should seek your own professional advice on the tax consequences applicable to you.</p>	11
<b>Who is AGI?</b>	<p>AGI is a wholly-owned subsidiary of Lion and a member of the Lion Group. The Lion Group conducts beverage and dairy operations in every Australian state and in New Zealand. For further details regarding AGI and the Lion Group, see section 8 of this Scheme Booklet.</p>	8
<b>Questions about the LWB Directors' recommendations and intentions, and reasons to vote for or against the Scheme</b>		
<b>What do the LWB Directors recommend?</b>	<p>The Non-Lion Directors unanimously recommend that LWB Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.</p> <p>Each Non-Lion Director intends to vote all of the LWB Shares owned or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.</p> <p>The Lion Nominee Director is also an employee of Lion and, on that basis, makes no recommendation in relation to the Scheme.</p>	6.3
<b>Why are the Non-Lion Directors recommending that I vote in favour?</b>	<p>The reasons for the Non-Lion Directors' recommendation are set out in sections 4.1 and 4.2.</p>	4.1 and 4.2
<b>What are the reasons why I might not want to vote in favour of the Scheme?</b>	<p>Reasons why you might not want to vote in favour of the Scheme are set out in sections 4.1 and 4.3.</p>	4.1 and 4.3
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has concluded that the Scheme is in the best interests of LWB Shareholders.</p> <p>The Independent Expert has assessed the fair value of LWB Shares on a 100% controlling interest basis to be in the range of between \$4.32 and \$5.05, with a midpoint of \$4.68. The Total Payment of \$5.30 per LWB Share implies a premium to the assessed fair value of a LWB Share of between 4.9% and 22.7%, with a midpoint of 13.1%.</p> <p>A complete copy of the Independent Expert's Report is included as Annexure A of this Scheme Booklet and the Non-Lion Directors encourage LWB Shareholders to read the report in full.</p>	Annexure A

Question	Answer	See section(s) ...
<b>Questions about the Scheme Meeting and voting at the Scheme Meeting</b>		
<b>When and where will the Scheme Meeting be held?</b>	The Scheme Meeting will be held at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia on Monday, 17 September 2012 at 4:30pm (Perth time).	9.4
<b>What vote is required to approve the Scheme?</b>	<p>For the Scheme to proceed, the Scheme Resolution must be passed by:</p> <ul style="list-style-type: none"> <li>• a majority in number (more than 50%) of Non-AGI Shareholders present and voting on the Scheme Resolution at the Scheme Meeting (either in person or by proxy); and</li> <li>• at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Non-AGI Shareholders present and voting at the Scheme Meeting (either in person or by proxy).</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if it considers appropriate to do so.</p>	9.4
<b>How do I vote if I am not able to attend the Scheme Meeting?</b>	<p>If you would like to vote but cannot attend the Scheme Meeting in person, you should appoint:</p> <ul style="list-style-type: none"> <li>• a proxy to vote on your behalf by completing, signing and returning the original personalised Proxy Form sent to you with this Scheme Booklet by 4:30pm (Perth time) on 15 September 2012; or</li> <li>• an attorney to vote on your behalf by sending any powers of attorney or authority to the LWB Registry or as indicated in the Proxy Form.</li> </ul>	10.4
<b>Am I entitled to vote?</b>	Each Non-AGI Shareholder who is registered on the LWB Register at 4:30pm (Perth time) on 15 September 2012 is entitled to attend and vote at the Scheme Meeting.	10.5
<b>When will the result of the Scheme Meeting be known?</b>	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be available on ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> and on LWB's website at <a href="http://www.littleworldbeverages.com">www.littleworldbeverages.com</a>.</p> <p>Even if the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting, the Scheme is subject to the approval of the Court at the Second Court Hearing.</p>	9.4
<b>What happens if I vote against the Scheme or don't vote at all at the Scheme Meeting?</b>	If the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting, then, subject to the other Conditions Precedent being satisfied or waived, the Scheme will be implemented and will be binding on all Scheme Participants, including those who did not vote or voted against the Scheme Resolution.	9.4

## 5 Frequently asked questions (continued)

Question	Answer	See section(s) ...
<b>Questions about the Special Dividend</b>		
<b>When will the LWB Board determine to pay the Special Dividend?</b>	<p>The LWB Board will not determine to pay the Special Dividend until the Class Ruling (or a draft of it which is reasonably satisfactory to LWB and AGI) has been issued by the ATO.</p> <p>In addition, payment of the Special Dividend will be conditional on the Scheme becoming Effective.</p>	11
<b>What is the Class Ruling?</b>	LWB has applied to the ATO for the Class Ruling to confirm the key Australian CGT and income tax implications of the Scheme and the Special Dividend for certain LWB Shareholders.	11
<b>What if LWB does not receive the Class Ruling?</b>	If the ATO does not issue the Class Ruling (whether in draft or not), or issues it in a form and substance not reasonably satisfactory to LWB and AGI, then the LWB Board will not determine that the Special Dividend be paid and the Total Payment will be a cash payment of \$5.30 per LWB Share for each LWB Share you own as at the Scheme Record Date.	11
<b>Questions about the implementation of the Scheme</b>		
<b>Do I need to do or sign anything to transfer my LWB Shares?</b>	<p>No. If the Scheme becomes Effective, LWB will automatically have authority to sign a transfer document on behalf of Scheme Participants, who will then be paid as set out above.</p> <p>You should be aware that, if you are a Scheme Participant, you will be deemed to have warranted to LWB, and authorised LWB to warrant to AGI on your behalf, that:</p> <ul style="list-style-type: none"> <li>• all your LWB Shares are fully paid and free from all encumbrances; and</li> <li>• you have full power and capacity to transfer your LWB Shares to AGI.</li> </ul>	9.9 and 9.10
<b>Are there any conditions to be satisfied?</b>	<p>The Scheme must be approved by the Requisite Majorities at the Scheme Meeting and by the Court.</p> <p>The implementation of the Scheme is also subject to a number of conditions discussed at sections 6.5 and 9.1 of this Scheme Booklet. These conditions (other than Court approval) must be satisfied or waived before the Second Court Hearing for the Scheme to proceed.</p>	6.5 and 9.1
<b>Will I have to pay brokerage or stamp duty?</b>	No. Scheme Participants will not incur any brokerage or stamp duty on the transfer of their LWB Shares under the Scheme.	6.8
<b>Further questions</b>		
<b>What if I have other questions</b>	<p>If you have other questions about the Scheme, you should consider seeking independent financial, tax or other professional advice.</p> <p>You can also call LWB's Company Secretary, Jason Markwart, on +61 8 9338 8500.</p>	-



## 6 Summary of the Scheme

### 6.1 Background

On 18 June 2012, LWB announced that it had entered into the Scheme Implementation Agreement with AGI under which LWB agreed to propose the Scheme to LWB Shareholders. A summary of the Scheme Implementation Agreement is included in section 9.1 of this Scheme Booklet.

If the Scheme becomes Effective, then AGI will acquire all LWB Shares that it does not already own and LWB will become a wholly-owned subsidiary of AGI.

### 6.2 What you will receive

If the Scheme becomes Effective, Scheme Participants will receive a Total Payment of \$5.30 per LWB Share. The Total Payment is expected to be paid as:

- a cash payment of \$5.10 for each LWB Share held by Scheme Participants as at the Scheme Record Date; and
- subject to LWB receiving a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), a fully franked Special Dividend of \$0.20 for each LWB Share held by LWB Shareholders as at the Special Dividend Record Date.

If LWB does not receive a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board will not determine to pay the Special Dividend and the Total Payment will be a cash payment of \$5.30 per LWB Share held by Scheme Participants as at the Scheme Record Date.

LWB will pay an amount equal to the Scheme Consideration (being \$5.30, or \$5.10 if the LWB Board determines to pay the Special Dividend of \$0.20) to Scheme Participants for each Scheme Share transferred to AGI on the Implementation Date, currently expected to be on 8 October 2012. Under the Scheme Implementation Agreement, AGI must pay into a trust account nominated by LWB the aggregate Scheme Consideration payable to Scheme Participants two Business Days before the Implementation Date.

If LWB receives a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board intends to determine that the Special Dividend be paid to LWB Shareholders who own LWB Shares on the Special Dividend Record Date. If determined, it is currently expected that the Special Dividend will also be paid on the Implementation Date. As at the date of this Scheme Booklet, LWB intends to draw down on the Special Dividend Loan to be made available by AGI under the Scheme Implementation Agreement to fund the payment of the Special Dividend. Further details of the Special Dividend Loan are set out in section 12.3(a) of this Scheme Booklet.

LWB will make all payments:

- by direct deposit into your nominated bank account, as advised to the LWB Registry before the Scheme Record Date; or
- if you have not nominated a bank account, by cheque mailed to your Registered Address.

If a cheque mailed by LWB is returned or is not presented for payment within six months after the date it was mailed, LWB may cancel the cheque. For one year commencing on the Implementation Date, LWB will reissue a cancelled cheque on request from a Scheme Participant.

For Scheme Shares held in joint names, LWB will make the payment payable to the joint holders and will send the relevant amount to the holder whose name appears first in the LWB Register as at the Scheme Record Date.

## 6 Summary of the Scheme (continued)

### 6.3 Recommendation and voting intentions of LWB Directors

Your Non-Lion Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

Each Non-Lion Director intends to vote all LWB Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.

Mr Jamie Tomlinson is a director of LWB and also the Chief Financial Officer of the Lion Group and a director of various entities within the Lion Group. In light of these roles, Mr Tomlinson does not consider it appropriate for him to make a recommendation to LWB Shareholders in relation to the Scheme. Further details relating to Mr Tomlinson are set out in section 8.1(e) of this Scheme Booklet.

Your Non-Lion Directors believe that the reasons for you to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. These reasons and other relevant considerations for LWB Shareholders are set out in section 4 of this Scheme Booklet.

In considering whether to vote in favour of the Scheme, your Non-Lion Directors encourage you to:

- read this Scheme Booklet carefully and in full;
- consider the choices available to you outlined in section 10.6 of this Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme, and obtain tax advice on the relevant tax consequences of the Scheme becoming Effective.

Each LWB Director's interests are disclosed in section 12.1 of this Scheme Booklet.

If a Superior Proposal emerges after the date of this Scheme Booklet, the LWB Directors will carefully reconsider the Scheme and advise you of their recommendation.

### 6.4 Independent Expert's conclusions

Your Non-Lion Directors commissioned the Independent Expert, Ernst & Young Transaction Advisory Services Limited, to prepare a report on whether the Scheme is, in the Independent Expert's opinion, in the best interests of LWB Shareholders (other than AGI Shareholders).

The Independent Expert has assessed the fair value of LWB Shares on a 100% controlling interest basis to be in the range of between \$4.32 and \$5.05, with a midpoint of \$4.68. The Total Payment of \$5.30 per LWB Share implies a premium to the assessed fair value of a LWB Share of between 4.9% and 22.7%, with a midpoint of 13.1%.

The Independent Expert has concluded that the Scheme is in the best interests of LWB Shareholders.

The Independent Expert's Report is set out in full in Annexure A. Your Non-Lion Directors encourage you to read the report in full before deciding whether or not to vote in favour of the Scheme.

## 6.5 Conditions of the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent, including:

- agreement to the Scheme by the Requisite Majorities at the Scheme Meeting;
- approval of the Scheme by the Court;
- no Material Adverse Event having occurred in respect of LWB before 8.00am on the Second Court Date; and
- no restraints being imposed by any court or Regulatory Authority before 8.00am on the Second Court Date.

The Conditions Precedent to the Scheme are set out in full in clause 3.1 of and Schedule 1 to the Scheme Implementation Agreement. The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived in accordance with the Scheme Implementation Agreement. Further details of the Conditions Precedent are set out in section 9.1 of this Scheme Booklet.

As at the date of this Scheme Booklet, LWB is not aware of any circumstances that would cause any Condition Precedent not to be satisfied.

## 6.6 If the Scheme does not proceed

If the Scheme does not proceed for any reason, LWB Shareholders will continue to hold their LWB Shares and will not receive the Total Payment.

In the absence of an alternative proposal, the LWB Directors will continue to operate LWB as a stand-alone listed entity in accordance with the business plans and financial and operating strategies in place before the announcement of the Scheme. If the Scheme does not proceed, LWB Shareholders will continue to participate in the benefits of, and continue to be exposed to the risks relating to, an investment in LWB. Some of the benefits and risks relating to an investment in LWB are set out in section 7 of this Scheme Booklet.

Before the Scheme Meeting, LWB estimates it will have incurred or committed transaction costs of approximately \$417,000 in relation to the Scheme. Those costs will be payable by LWB regardless of whether or not the Scheme becomes Effective.

## 6.7 Australian tax implications

The transfer of your LWB Shares to AGI under the Scheme and the receipt of the Special Dividend (if any) will have tax consequences for LWB Shareholders.

You should seek your own professional advice on the tax consequences applicable to you. A general summary of the Australian tax implications for Australian residents and non-residents is set out in section 11 of this Scheme Booklet.

## 6.8 No brokerage or stamp duty

Scheme Participants will not incur any brokerage or stamp duty on the transfer of their LWB Shares under the Scheme.

## 7 Information about LWB

### 7.1 Overview

Founded in 2000, LWB is a craft brewing company with operations in Western Australia and Victoria.

LWB owns the Little Creatures, White Rabbit and Rogers' beer brands and the Pipsqueak Cider brand, the majority of which are distributed throughout Australia. A small amount of LWB's products are also exported to the UK, Singapore, New Zealand, Canada and Hong Kong.

LWB listed on ASX in November 2005.

#### (a) Western Australian operations

LWB currently operates a brewery and adjacent hospitality venue in Fremantle, Western Australia. The Fremantle brewery produces the following beer and cider products:

- Little Creatures Pale Ale;
- Little Creatures Pilsner;
- Little Creatures Bright Ale;
- Rogers' Beer;
- Pipsqueak Apple Cider; and
- Little Creatures Single Batch.

#### (b) Victorian operations

The White Rabbit brewery in Healesville, Victoria, opened during 2009, and includes an adjoining cellar door. This brewery produces the following beer and cider products:

- White Rabbit Dark Ale;
- White Rabbit White Ale;
- Pipsqueak Pear Cider; and
- Pipsqueak Apple Cider.

In 2011, LWB acquired a 40,000 m<sup>2</sup> site in Geelong, Victoria for the purpose of expanding its national brewing operations. Development of the site is currently underway and commissioning of the brewery is expected to be completed in early 2013.

#### (c) Other products

LWB owns a 20% stake in Stone & Wood Brewing Company, which operates in Byron Bay, New South Wales.

LWB is also the exclusive Australian distributor of Aspell Cider from the UK.

### 7.2 LWB Board

#### (a) Board

The LWB Board comprises the following Directors.

Director's name	Position
Mr Ian Cochrane	Independent Non-executive Chairman
Mr Howard Cearns	Non-Independent Non-executive Director
Mr Adrian Fini	Non-Independent Non-executive Director
Mr David Martin	Non-Independent Non-executive Director
Mr Nic Trimboli	Non-Independent Non-executive Director
Ms Kylie Webster	Independent Non-executive Director
Mr Jamie Tomlinson	Non-Independent Non-executive Director

## (b) Senior management

Key members of LWB's senior management team include:

<b>Name</b>	<b>Position</b>
Ross Sudano	Chief Executive Officer
Jason Markwart	Chief Financial Officer and Company Secretary
Matthew Anderson	Head of Brewing Operations
Scott Player	Head of Sales
Stewart Wheeler	Head of Hospitality

## 7.3 LWB Shares

As at the date of this Scheme Booklet, there are 68,241,176 LWB Shares and 146,479 Achievement Rights on issue.

## 7.4 Risks relating to an investment in LWB

The risk factors in this section 7.4 are existing factors relating to LWB's business and the industries in which it operates. These risks will only continue to be relevant to LWB Shareholders if the Scheme does not proceed and LWB Shareholders retain their current investment in LWB. If the Scheme proceeds, LWB Shareholders (other than AGI Shareholders) will receive the Total Payment, will cease to be LWB Shareholders and will no longer be exposed to the risks set out in this section 7.4.

There are various risks associated with an investment in LWB, as with any stock market investment, and specifically because of the nature of LWB's business. This section identifies the areas that are believed to be the key risks associated with LWB's business. However, the list of risks set out in this section 7.4 is not exhaustive. Additional risks and uncertainties of which LWB is unaware, or that it currently considers to be immaterial, may also become important factors that affect its business.

### (a) General risks

The value of LWB Shares is determined by the stock market and is subject to a range of factors beyond the control of the LWB Group and its directors and officers. These factors include, but are not limited to, the demand for and availability of LWB Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic economic activity.

Returns from an investment in LWB Shares may also depend on general stock market conditions as well as the performance of LWB.

In addition, changes in economic and business conditions or government policies in Australia or internationally may impact the fundamentals upon which LWB's growth or its costs structure and profitability rely.

Adverse changes to, for example, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending, employment rates, amongst others, are outside the control of LWB and may result in material adverse impacts on the business or its operating results.

## 7 Information about LWB (continued)

### (b) Risks specific to LWB

#### *Brands*

LWB's products and services are sold under a number of key brands. LWB's brands and image are key assets of the company. Should LWB's brand or image be damaged in any way (for example, through negative publicity) or should such brands or image lose their market appeal, LWB's business could be adversely impacted.

#### *Demand and customers*

LWB operates within the consumer goods sector, where demand for its products is subject to changes in consumer preferences and tastes. Any significant decrease in demand, and accordingly in sales volumes, would be likely to have a material adverse effect on the profitability of LWB, particularly in the market for beer.

LWB generates a significant portion of its revenue from a small number of major customers. LWB's financial performance, revenues and market share may be adversely affected if LWB loses or experiences reduced demand from, or any other adverse change in, its relationship with any of its major customers.

#### *Facilities*

LWB owns production, bottling and packaging facilities and warehouses. Damage to or destruction of these facilities could result in the loss of production capability or the loss of stock that could adversely affect LWB's financial performance.

#### *Competition*

LWB competes with a wide range of participants in the brewing and hospitality industries. The actions of competitors, changes in the quality of its products or changes in consumer preferences may adversely affect LWB's financial performance. It is also possible that new competitors will enter the brewing and hospitality industries. While, since its initial public offering and listing on ASX in 2005, LWB has continued to grow despite a number of new entrants into these industries, further entrants and new products from existing competitors may also adversely affect LWB's financial performance.

#### *Intellectual property*

LWB's commercial success depends in part on its ability to protect its intellectual property assets. The commercial value of these assets is dependent on legal protections provided by a combination of copyright, patent, confidentiality, trade mark, trade secrecy laws and other intellectual property rights. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the commercial value of LWB's intellectual property assets will be maintained.

#### *Regulatory conditions*

Changes in relevant taxes (including the GST and excise), legal and administrative regimes (including, but not limited to, the various liquor licensing regimes which operate in each Australian State and Territory) and government policies both in Australia and overseas may adversely affect the financial performance of LWB.

Any change to the current rate of company income tax in jurisdictions where LWB operates will impact on shareholder returns. Any change to the current rates of income tax applying to individuals, companies and trusts will similarly impact on returns to LWB Shareholders.

#### *Construction of the Geelong brewery*

The planned construction of the LWB's new brewery in Geelong, Victoria may be delayed or the costs of construction may be more than LWB anticipates. Delays or cost overruns of this sort may affect LWB's profitability.

There is also a risk that planning, environmental or other conditions on the development of the Geelong brewery may lead to additional costs, which may in turn affect LWB's profitability. Further, any negative environmental issues that may arise during the construction of the Geelong brewery may have an adverse impact on LWB's financial performance, for example because of the costs of addressing the environmental issues or because of penalties imposed under applicable environmental laws.

#### *Employees*

LWB competes in labour markets to attract and retain its employees and management team. The competitive nature of these labour markets may result in the loss of key employees from time to time or make it difficult and costly to attract or retain employees.

#### *Occupational health and safety*

While LWB regularly reviews its occupational health and safety policies and procedures to ensure it operates in accordance with best practice, the risk of serious injuries or accidents remains. Any serious injuries or accidents may have an adverse effect on the productivity, operations and reputation of LWB. In addition, LWB is subject to various occupational health and safety laws and regulations. Any adverse orders or penalties against LWB under these laws or regulations may have an adverse impact on LWB's operations, reputation and financial performance.

#### *Information systems and technology*

LWB depends on its information technology systems to operate its business effectively and efficiently. A severe disruption to its information technology systems, or a significant loss of data stored on those systems, could materially impact on LWB's operations and financial performance.

#### *Litigation*

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on LWB's financial performance through increased costs, payments for damages and reputational damage.

## **7.5 Financial information**

The financial information set out in this section is a summary only. Full financial statements for the LWB Group for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012, and for the half-years ended 31 December 2010 and 31 December 2011, were released to ASX and are available free of charge on LWB's website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com) or by requesting a copy from LWB's Company Secretary on +61 8 9338 8500.

The financial statements for the LWB Group for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012 were audited by LWB's auditor, KPMG. KPMG issued an unmodified audit report for these financial statements. The financial statements for the half-years ended 31 December 2010 and 31 December 2011 were reviewed by KPMG. KPMG issued an unmodified review report for those financial statements.

## 7 Information about LWB (continued)

### (a) Consolidated profit and loss

The following table presents a summary of the consolidated profit and loss for the LWB Group for the years ended 30 June 2010, 30 June 2011 and 30 June 2012 as extracted from LWB's audited financial report for those years.

Total revenue for the year ended 30 June 2012 grew 22.5% to \$85.8m, with a 22.0% increase in earnings before interest, tax depreciation and amortisation to \$20.2m and a 26.5% increase in net profit after tax to \$11.7m.

This result follows increased distribution of the Little Creatures, White Rabbit and Pipsqueak beer and cider products in Australia with particularly strong growth in the east coast markets. This result also includes \$0.3m in costs (before tax) attributable to the proposed Scheme.

In \$AUD	For the year ended (\$'000)		
	30 Jun 2010	30 Jun 2011	30 Jun 2012
Revenue	56,433	70,020	85,785
Raw materials and consumables	(10,511)	(12,455)	(14,346)
Marketing and distribution expenses	(4,765)	(6,578)	(7,571)
Depreciation and amortisation expenses	(2,340)	(2,562)	(2,846)
Employee expenses	(13,547)	(15,609)	(18,222)
Bad & doubtful debts	(13)	-	(19)
Excise tax	(8,440)	(11,159)	(14,643)
Occupancy costs	(2,397)	(2,729)	(3,190)
Consumables repairs and replacements	(1,217)	(1,294)	(1,556)
Loss on sale of assets	(51)	(45)	-
Other expenses	(2,644)	(3,597)	(6,049)
Results from operating activities	10,508	13,992	17,343
Finance income	39	62	60
Finance costs	(1,193)	(847)	(784)
Net finance costs	(1,154)	(785)	(724)
<b>Net profit before tax</b>	<b>9,354</b>	<b>13,207</b>	<b>16,619</b>
Income tax expense	(2,563)	(3,997)	(4,968)
<b>Net profit after tax</b>	<b>6,791</b>	<b>9,210</b>	<b>11,651</b>



(b) Consolidated statement of financial position

The following table presents a summary of the consolidated statement of financial position for the LWB Group as at 30 June 2011 and 30 June 2012 as extracted from LWB's audited financial report for those years, and a summary of the consolidated statement of financial position as at 31 December 2011 as extracted from LWB's reviewed financial report for that period end.

In \$AUD	As at (\$'000)		
	30 Jun 2011	31 Dec 2011	30 Jun 2012
<b>Assets</b>			
Cash and cash equivalents	520	2,099	3,717
Trade and other receivables	6,093	11,691	8,279
Inventories	2,270	3,045	3,916
Other	704	1,318	963
<b>Total Current Assets</b>	<b>9,587</b>	<b>18,153</b>	<b>16,875</b>
Financial Assets	385	385	385
Other non current assets	644	270	-
Property, plant and equipment	52,472	61,961	78,083
Derivative financial instruments	-	244	561
Intangible assets	1,165	1,165	1,165
Deferred tax assets	749	295	-
<b>Total Non Current Assets</b>	<b>55,415</b>	<b>64,320</b>	<b>80,194</b>
<b>Total Assets</b>	<b>65,002</b>	<b>82,473</b>	<b>97,069</b>
<b>Liabilities</b>			
Trade and other payables	4,659	7,998	9,462
Provisions	750	837	897
Current tax payable	1,529	1,253	611
Loans and borrowings	16,000	-	-
<b>Total Current Liabilities</b>	<b>22,938</b>	<b>10,088</b>	<b>10,970</b>
Deferred tax liability	-	-	233
Loans and borrowings	-	27,000	33,000
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>27,000</b>	<b>33,233</b>
<b>Total Liabilities</b>	<b>22,938</b>	<b>37,088</b>	<b>44,203</b>
<b>Net Assets</b>	<b>42,064</b>	<b>45,385</b>	<b>52,866</b>
<b>Equity</b>			
Share capital	28,196	28,196	33,086
Reserves	2,236	2,723	3,019
Retained Earnings	11,632	14,466	16,761
<b>Total Equity</b>	<b>42,064</b>	<b>45,385</b>	<b>52,866</b>

7.6 Material changes in LWB's financial position

To the knowledge of the LWB Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of LWB has not materially changed since 30 June 2012.

## 7 Information about LWB (continued)

### 7.7 Outlook

LWB believes the fundamentals for the premium and craft beer sector in Australia remain strong, underpinned by a continued shift in consumer preferences toward beers with good flavours and differentiated market positions.

The Little Creatures, White Rabbit and Pipsqueak portfolios are expected to continue to grow, driven by increased penetration and broader distribution gains in the market, particularly on the east coast where LWB has invested in greater sales resources to extend trade representation.

The home state of Western Australia remains a core market, and LWB expects to maintain solid performance in FY13. However, with east coast production shifting to the new Geelong brewery during FY13, the Fremantle facility will have extra capacity until sufficient further growth is achieved to return the facility to an efficient level of operation.

The Geelong brewery, due to commence production in the first half of 2013, is expected over time to realise savings through reduced input supply costs as well as outbound logistics efficiency from being located closer to LWB's east coast customer base.

If the Scheme does not proceed, LWB will continue to implement its existing strategy, focusing on growing sales in the Australian market through increased brand awareness and product innovation, including single batch releases and other new products. While LWB has significant growth prospects as an independent ASX-listed company, its current strategy involves execution risks, some of which are outside the control of LWB. If the Scheme does not proceed, LWB Shareholders will continue to be subject to risks related to this strategy, as well as other LWB business risks which are set out in section 7.4 of this Scheme Booklet.

LWB has given careful consideration as to whether there is a reasonable basis for the inclusion of forecast financial information.

The financial performance of LWB in any period will be influenced by various factors that are outside the control of the Board and which the Board considers cannot, at this time, be predicted with a high level of confidence.

Accordingly, the LWB Directors have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information in relation to LWB, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law and policy.

### 7.8 LWB Directors' intentions

The Corporations Act requires a statement by the LWB Directors of their intentions regarding LWB's business.

If the Scheme is implemented, the LWB Board will be reconstituted in accordance with AGI's instructions as the sole LWB Shareholder from the Implementation Date.

Accordingly, it is not possible for your existing LWB Directors to provide a statement of their intentions regarding:

- the continuation of the business of LWB or how the existing business will be conducted;
- major changes, if any, to the assets of LWB; and
- the future employment of the present employees of LWB,

after the Scheme is implemented.

If the Scheme is implemented, AGI will have 100% ownership and control of LWB and its current intentions in respect of the above matters are set out in section 8 of this Scheme Booklet.

If the Scheme does not proceed, the LWB Directors intend to continue to operate, and review the operation of, the business of LWB in the ordinary course. See section 6.6 of this Scheme Booklet for further details of the LWB Directors' intentions in the event that the Scheme does not proceed.

### 7.9 Public information available for inspection

LWB is a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations.

LWB has an obligation under the Listing Rules (subject to some exceptions) to notify ASX immediately of any information concerning it of which it becomes aware that a reasonable person would expect to have a material effect on the price or value of LWB Shares.

LWB's recent announcements are available from ASX's website at [www.asx.com.au](http://www.asx.com.au). Further announcements will continue to be made available on this website after the date of this Scheme Booklet.

## 8 Information about AGI, the Lion Group and Kirin

The information contained in this section 8 has been prepared by AGI. The information concerning the Lion Group and the intentions, views and opinions contained in this section are the responsibility of AGI. LWB and LWB's Directors and officers do not assume any responsibility for the accuracy or completeness of this information except to the extent that LWB has provided AGI with information for the purpose of Lion preparing information on the merged entity following implementation of the Scheme.

### 8.1 Overview of AGI and the Lion Group

#### (a) AGI and the Lion Group

AGI is a wholly owned subsidiary of Lion and a member the Lion Group.

The Lion Group conducts beverage and dairy operations in every Australian state and in New Zealand.

The Lion Group's portfolio includes:

- the business formerly known as Lion Nathan which produces, distributes and markets alcoholic beverages; and
- the dairy foods and beverage business formerly known as National Foods.

The Lion Group employs close to 7,500 people across Australia and New Zealand and boasts a portfolio of market-leading, household-name brands in beer, wine, spirits, milk, fresh dairy foods, juice, cheese and soy beverages. These include Tooheys, Dairy Farmers, XXXX, PURA, Hahn, Berri, Speight's, King Island Dairy, Boag's, Yoplait, Wither Hills and COON. Some of the brands are over 100 years old.

Further information about the Lion Group can be found on the Lion Group's website [www.lionco.com](http://www.lionco.com).

#### (b) History of the Lion Group's relationship with LWB

The Lion Group first acquired shares in LWB in 2000 when AGI acquired an initial 20% stake in LWB (which at the time was named LCB Holdings Pty Ltd).

At the time of LWB's initial public offering and listing on ASX in 2005, the Lion Group, via AGI, increased its stake from 26% to 34%. Since that time, the Lion Group, via AGI, has from time to time acquired additional shares in accordance with the Corporations Act and AGI's stake in LWB has from time to time been diluted by the issue of additional LWB Shares. AGI currently holds 34.66% of LWB (see section 8.6 of this Scheme Booklet for further details).

Throughout the period that the Lion Group has held (via AGI) LWB Shares, the Lion Group has had one nominee on the LWB Board, Mr Jamie Tomlinson (for further details, see section 8.1(e) of this Scheme Booklet).

#### (c) Lion Directors

The following persons are Lion Directors as at the date of this Scheme Booklet:

Director's name	Position
Robert Murray	Chief Executive Officer of the Lion Group and Executive Director
Sir Rod Eddington AO	Independent Non-executive Chairman
Geoff Ricketts	Independent Non-executive Director
Ryosuke Mizouchi	Non-independent Non-executive Director
Gavin Walker	Independent Non-executive Director
Paula Dwyer	Independent Non-executive Director
Fumio Miki	Non-independent Executive Director
Masahito Suzuki	Non-independent Non-executive Director

## 8 Information about AGI, the Lion Group and Kirin (continued)

### (d) AGI Directors

The following persons are AGI Directors as at the date of this Scheme Booklet:

Director's name	Position
Robert Murray	Chief Executive Officer of the Lion Group and Executive Director of Lion
Elizabeth Davidson	General Counsel – Group

### (e) Lion Nominee Director on LWB Board

Mr Jamie Tomlinson has been a director of LWB (previously LCB Holdings Pty Ltd) since 2000. Mr Tomlinson has been the Chief Financial Officer of the Lion Group since 2009, having previously held the position of Chief Financial Officer at Lion Nathan since May 2003. He is a director of various entities within the Lion Group.

In order to manage any potential conflict of interest or duty arising in relation to Mr Tomlinson's role in the Lion Group and his role as a LWB Director, the Lion Group has established protocols whereby:

- Mr Tomlinson has not participated, and will not participate, in discussions or decision-making on behalf of any member of the Lion Group in relation to the terms of the Acquisition or the implementation of the Scheme; and
- any information obtained by Mr Tomlinson relating to LWB, its current activities and its plans for the future in his capacity as a LWB Director has not been, and will not be, made available to any member of the Lion Group in connection with the Acquisition, except with the approval of LWB.

## 8.2 Overview of Kirin

Kirin Holdings Company, Limited, a company incorporated in Japan, holds 100% of the shares in the Lion Group. Kirin is one of the leading food and beverage manufacturers in the Asia Pacific. Kirin, through its various group companies, operates in an extensive range of businesses from alcoholic beverages and soft drinks to dairy foods, health foods and pharmaceuticals.

Kirin is a public company listed on the Stock Exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo and, as at 8 August 2012, had a market capitalisation of approximately A\$11.0 billion.<sup>1</sup>

Further information about Kirin can be found on Kirin's website [www.kirinholdings.co.jp/english/](http://www.kirinholdings.co.jp/english/).

## 8.3 Rationale for Lion's proposed acquisition of LWB

The Lion Group is a strong supporter of the craft beer segment and has a history of investing in and cultivating prominent brands in Australia and New Zealand. The Lion Group recognises that the craft beer market benefits from ensuring that distinctive characteristics are maintained and has a strong record in nurturing and preserving entrepreneurialism as demonstrated in boutique beer and wine brands like James Squire, Knappstein, Petaluma and St Hallett.

The Lion Group views LWB's portfolio of craft beers as a complementary fit to its existing craft beer range. Under the Lion Group's ownership, it will continue to invest in the distinct and individual brand positioning that is unique to LWB, while leveraging its strengths in sales and distribution to expose these brands and products to an increased number of consumers.

The acquisition of LWB is also consistent with Kirin's long term growth strategy of becoming a leading company in the areas of beverages, food and health across the Asia Pacific. It is also consistent with Kirin's desire to strengthen its existing operations in Australia.

<sup>1</sup> Based on Kirin's market capitalisation of ¥911.7 billion, translated at an exchange rate of JPY:A\$ 1:0.012 as at 7 August 2012.

## 8.4 Funding arrangements for Total Payment

### (a) Maximum cash consideration

The Total Payment will be satisfied wholly in cash. The maximum cash consideration payable by LWB to the relevant LWB Shareholders if the Scheme becomes Effective will be approximately A\$242 million. This amount represents the aggregate of:

- the Scheme Consideration payable for each LWB Share held by Scheme Participants as at the Scheme Record Date (including those LWB Shares issued as a result of the exercise of Achievement Rights prior to the Scheme Record Date); and
- (if the Special Dividend has been determined by the LWB Board) the Special Dividend of \$0.20 for each LWB Share held by LWB Shareholders as at the Special Dividend Record Date (including those LWB Shares issued as a result of the exercise of Achievement Rights prior to the Special Dividend Record Date).

Pursuant to the Deed Poll, AGI has undertaken in favour of each Scheme Participant to deposit an amount equal to the aggregate Scheme Consideration payable to all Scheme Participants in a trust account operated by LWB as trustee for the Scheme Participants. For further details regarding AGI's obligations under the Deed Poll, see section 9.2 of this Scheme Booklet.

Pursuant to the Scheme Implementation Agreement, AGI has agreed that, if requested by LWB, it will provide to LWB the Special Dividend Loan of up to the aggregate amount payable by LWB in respect of the Special Dividend. For further details regarding the Special Dividend Loan, see section 12.3 of this Scheme Booklet.

On the basis of arrangements described in this section 8.4, AGI is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the Total Payment and related transaction costs.

### (b) Overview of funding arrangements

The cash necessary to fund the payment of the Total Payment and related transaction costs will be provided to AGI pursuant to intercompany funding arrangements between AGI and Lion, which are supported by intercompany funding arrangements between Lion and Kirin.

Lion has entered into a letter agreement (**Letter Agreement**) with AGI whereby Lion undertakes that it will procure that Lion and its subsidiaries provide sufficient funding to AGI to ensure that it has, at all necessary times, sufficient funding and liquidity to meet any of its obligations under, or in connection with, the Acquisition (including the obligation to pay cash consideration to holders of LWB Shares pursuant to the Acquisition). The provision by Lion of funds to AGI pursuant to the Letter Agreement is not subject to any conditions or third party consents. Lion intends to source funds from Kirin in order to provide this funding to AGI.

Kirin has provided a commitment to Lion (**Funding Commitment**) whereby Kirin has agreed that it will procure that it and its subsidiaries will provide sufficient funding and liquidity to Lion to ensure that Lion or, where relevant, AGI has at all necessary times sufficient funds to meet any of its obligations under, or in connection with, the implementation of Lion's business strategy to make acquisitions approved by Kirin, including the Acquisition. The funding will be made available to Lion (and therefore AGI) on an as needs basis (as notified by Lion from time to time) and the availability of funding is not subject to third party consents.

The funds to be provided to Lion (and therefore AGI) via the Funding Commitment will be sourced from Kirin's current cash reserves.

As specified in Kirin's financial statements for the 3 years ended 31 December 2011, Kirin had cash (or cash equivalents) of approximately A\$971 million<sup>2</sup> as at 31 December 2011 which is more than the maximum cash amount payable by LWB to the relevant LWB Shareholders if the Scheme becomes Effective. At least A\$280 million of this cash (or cash equivalents) is not subject to security interests, rights of set off or other arrangements that might materially affect Kirin's ability to make funds available to Lion (and therefore AGI) to fund the payment of the Total Payment and related transaction costs.

For further details regarding Kirin, see section 8.2 of this Scheme Booklet.

<sup>2</sup> Translated at an exchange rate of JPY:A\$ 1:0.013 as at 31 December 2011.

## 8 Information about AGI, the Lion Group and Kirin (continued)

### 8.5 Lion's intentions if the Scheme is implemented

This section sets out Lion's intentions, on the basis of the facts and information concerning LWB which are known to it and the existing circumstances affecting the business of LWB as at the date of the Scheme Booklet, in relation to the following:

- the continuation of LWB's business;
- any major changes to be made to LWB's business, including any redeployment of LWB's fixed assets; and
- the future employment of LWB's present employees,

in circumstances where the Scheme is implemented.

AGI and Kirin have the same intentions and knowledge as Lion in relation to these matters.

#### (a) Review

In addition to publicly available information, Lion and its advisers have reviewed certain other information that has been made available to it by LWB. However, Lion does not currently have knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions. Consequently, final decisions on these matters have not been made. As set out in section 8.1(e) of this Scheme Booklet, information made available by LWB to Mr Tomlinson in his capacity as a LWB Director has not been made available to Lion except with the prior consent of LWB.

Following the implementation of the Scheme, Lion will, to the extent that information is available to it, conduct a review of LWB's operations, assets, structure and employees in light of that information. Final decisions will only be reached after that review and in light of all material facts and circumstances. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change. The statements in this section 8 should be read in this context.

#### (b) LWB Directors

Following the implementation of the Scheme, Lion intends to replace all of the LWB Directors (except for Mr Tomlinson, who Lion anticipates will continue to be a LWB Director following the implementation of the Scheme – for further details regarding Mr Tomlinson acting as a LWB Director, see section 8.1(e)) and all of the directors of any company in respect of which LWB has nominee directors with its own nominees.

#### (c) ASX listing

Following the implementation of the Scheme, Lion intends to arrange for LWB to be removed from the official list of ASX.

#### (d) Operations and assets

Lion recognises the importance of LWB's heritage and believes it is important to maintain the distinctive character of LWB's portfolio of craft beers, just as it has done with the Lion Group's existing portfolio of craft beers and boutique wines. As such, Lion's overall objective is to continue to invest in, and develop the strengths of, LWB's business while respecting the craft brewing ethos of the LWB brands, breweries, and hospitality venues. As part of this objective, Lion is committed to LWB's Fremantle operations which have become a popular destination and important part of the social fabric of Fremantle, Western Australia.

Following the implementation of the Scheme, Lion intends to undertake a review of LWB's operations, assets and structure with a view to identifying potential areas where LWB's business can be enhanced with the support of, and as a member of, the Lion Group. In undertaking this review, Lion intends to explore potential efficiencies across LWB's business where it is commercially appropriate to do so and it is consistent with Lion's intention to maintain the distinctive character of LWB's portfolio of craft beers. Subject to the review of LWB's operations, assets and structures, Lion currently anticipates that such efficiencies may potentially be able to be derived in areas relating to LWB's warehousing, packaging and distribution facilities. Lion does not believe it has a reasonable basis to speculate as to what the value of these potential efficiencies (if any) is likely to be.

The Lion Group's and LWB's businesses share some common requirements in terms of raw material procurement and suppliers. Lion expects that it may be able to potentially achieve some synergy benefits in these general areas over time. Lion does not believe it has a reasonable basis to speculate as to what the value of these synergies (if any) is likely to be.

Subject to the comments above, Lion has no current intentions to make major changes to or dispose of any parts of the LWB business, redeploy any of LWB's fixed assets or transfer any of LWB's current businesses or material assets to Lion.

**(e) Employees**

Lion has great respect for the achievements of the LWB leadership team and the employees of LWB and the role they have played in creating the iconic brands of LWB. Further, Lion recognises the critical importance of these people in maintaining the distinctive character and heritage of LWB's portfolio of craft beers. All current LWB employees will remain on their current terms and conditions and retain existing leave entitlements following the implementation of the Scheme.

Over time Lion intends to undertake a review. As a part of this review, Lion intends to explore potential efficiencies where it is commercially appropriate to do so and is consistent with Lion's intention to maintain the distinctive character of LWB's portfolio of craft beers. As a result of this review, certain roles may need to be made redundant.

Lion does not believe it has a reasonable basis to speculate as to the extent to which this may be applicable. Over time Lion will also conduct a review of LWB's terms and conditions of employment with a view to harmonise entitlements in a fair and reasonable manner. As at the date of this Scheme Booklet, Lion expects that any reviewed terms and conditions of employment will be on substantially similar terms and conditions to those currently enjoyed by people working at LWB.

**(f) Intentions generally**

Except for the changes and intentions set out in this section 8.5, following the implementation of the Scheme Lion intends, based on the information presently known to it:

- to continue LWB's business;
- not to make any major changes to LWB's business or the deployment of LWB's assets; and
- to continue the employment of LWB's employees.

## **8.6 Lion's interests in LWB Shares**

As at the date of this Scheme Booklet, the Lion Group has:

- Voting Power in approximately 34.66% of the LWB Shares; and
- Relevant Interests in 23,650,123 LWB Shares.

**(a) No dealings in LWB Shares in previous four months**

Except in respect of the Total Payment, during the period of four months before the date of this Scheme Booklet, neither AGI nor any of its associates have provided or agreed to provide consideration for any LWB Shares under a purchase or an agreement.

**(b) Benefits to holders of LWB Shares**

During the four months before the date of this Scheme Booklet, neither AGI nor any of its associates have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- vote in favour of the Scheme; or
- dispose of Shares,

which benefit was not offered to all LWB Shareholders (other than an AGI Shareholder).

## **8 Information about AGI, the Lion Group and Kirin (continued)**

### **(c) Benefits to LWB Directors**

Neither AGI nor any of its associates will be making any payment or giving any benefit to any current member of the LWB Board as compensation or consideration for, or otherwise in connection with, their resignation from the LWB Board, if the Scheme becomes Effective and the LWB Board is accordingly reconstituted.

### **8.7 Other material information**

Except as set out in this section 8, so far as AGI is aware, there is no information relating to:

- AGI, the Lion Group or Kirin; or
- AGI's or the Lion Group's intentions regarding LWB, LWB's employees and funding of the Total Payment,

material to the making of a decision by a LWB Shareholder in relation to the Scheme, being information that is within the knowledge of any AGI Director or director of any Related Bodies Corporate of AGI (except for Mr Jamie Tomlinson who has not participated, and will not participate, in discussions or decision-making on behalf of any member of the Lion Group in relation to the Acquisition or the implementation of the Scheme – for further details, see section 8.1(e) of this Scheme Booklet) at the time of LWB lodging this Scheme Booklet with ASIC for registration, which is not disclosed in this section 8 or which has not previously been disclosed to LWB Shareholders.

As at the date of this Scheme Booklet, AGI is not aware of any circumstances that would cause any Condition Precedent not to be satisfied.



## 9 Implementation of the Scheme

### 9.1 Scheme Implementation Agreement

On 17 June 2012, LWB and AGI entered into a Scheme Implementation Agreement under which LWB agreed to propose the Scheme.

The Scheme Implementation Agreement sets out LWB's and AGI's obligations in connection with the implementation of the Scheme. A summary of the key elements of the Scheme Implementation Agreement is set out below and a full copy is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on LWB's website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

#### Conditions Precedent

The Scheme is subject to the following conditions precedent that must be satisfied or waived before it can be implemented:

- (a) Before 8.00am on the Second Court Date, ASIC and ASX have issued or provided (and not withdrawn, revoked or varied) such consents, waivers, modifications, and/or approvals or have done such other acts which are necessary or the parties agree are reasonably desirable to implement the Scheme. If such consents, waivers, modifications, and/or approvals are subject to conditions those conditions must be acceptable to AGI and LWB (both acting reasonably).
- (b) Before 8.00am on the Second Court Date, either:
  - (1) the Treasurer (or his delegate) has provided written advice that there are no objections under Australia's foreign investment policy to the proposed Scheme and that advice is unconditional or subject to conditions that are acceptable to AGI (acting reasonably); or
  - (2) following notice of the proposed Scheme having been given by AGI to the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), the Treasurer has ceased to be empowered to make any order under Part II of that Act because of lapse of time.
- (c) Before 8.00am on the Second Court Date, all other approvals of a Regulatory Authority (other than a ruling issued by a Tax Authority) which LWB and AGI agree, acting reasonably, are necessary to implement any material aspect of the Scheme are obtained, on an unconditional basis or subject to conditions that are acceptable to AGI (acting reasonably).
- (d) Before 8.00am on the Second Court Date, no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the implementation of any material aspect of the Acquisition and no such order, decree, ruling, other action or refusal is in effect.
- (e) Non-AGI Shareholders approve the Scheme by the Requisite Majorities in accordance with the Corporations Act.
- (f) The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (g) LWB's representations and warranties as set out in Schedule 5 to the Scheme Implementation Agreement are true and correct, in all material respects, in each case as at the date of the Scheme Implementation Agreement and as at 8.00am on the Second Court Date.
- (h) No Material Adverse Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date. The term 'Material Adverse Event' is defined in section 13.1 of this Scheme Booklet.
- (i) AGI's representations and warranties as set out in Schedule 6 to the Scheme Implementation Agreement are true and correct, in all material respects, in each case as at the date of the Scheme Implementation Agreement and as at 8.00am on the Second Court Date.
- (j) The Independent Expert issues a report which concludes that the Scheme is in the best interest of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC and does not change that conclusion or, having reached that conclusion, withdraws the Independent Expert's Report prior to the Second Court Date.

## 9 Implementation of the Scheme (continued)

Full details of the Conditions Precedent, the ability of LWB and AGI to rely on the Conditions Precedent and the provisions relating to satisfaction of the Conditions Precedent are set out in clause 3 of, and Schedule 1 to, the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at [www.asx.com.au](http://www.asx.com.au) and on LWB's website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com).

As set out in more detail in section 12.6 of this Scheme Booklet, the second Condition Precedent set out above requiring FIRB approval has already been satisfied.

### No-Talk and No-Shop Obligations

LWB has agreed to certain restrictions during the period from 17 June 2012 until the earlier of termination of the Scheme Implementation Agreement and 17 December 2012 (**Exclusivity Period**).

During the Exclusivity Period, LWB must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to, or which may be reasonably expected to lead to, a Competing Transaction (**No-Shop Obligation**).

LWB has also agreed that, during the Exclusivity Period and subject to the Fiduciary Exception (see below), it must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions with any other person regarding,

a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by LWB or any of its Related Bodies Corporate or Representatives or the person has publicly announced the Competing Transaction (**No-Talk Obligation**).

In addition, during the Exclusivity Period, LWB must promptly inform AGI if it or any of its Related Bodies Corporate or Representatives:

- (a) receives any unsolicited approach with respect to any Competing Transaction and, subject to the Fiduciary Exception (see below), must disclose to AGI all material details of the Competing Transaction, including details of the proposed bidder or acquirer;
- (b) receives any request for information relating to LWB or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of LWB or any of its Related Bodies Corporate, which LWB has reasonable grounds to suspect may relate to a current or future Competing Transaction; and
- (c) provides any information relating to LWB or any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of a current or future Competing Transaction.

Further, during the Exclusivity Period, LWB must ensure that neither it nor its Representatives in relation to a Competing Transaction:

- (a) solicits, invites, initiates, encourages or, subject to the Fiduciary Exception (see below), facilitates any other party other than AGI to undertake due diligence investigations on any member of the LWB Group or their businesses or operations; or
- (b) subject to the Fiduciary Exception (see below), makes available to any other person or permits any other person to receive (in the course of due diligence investigations or otherwise) any non-public information relating to any member of the LWB Group or their businesses or operations.

However, the No-Talk Obligation and the other obligations set out above expressed to be subject to the Fiduciary Exception do not apply to the extent that they restrict LWB or the LWB Board from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, facilitated, encouraged or initiated by LWB in contravention of the No-Shop Obligation) provided that the LWB Board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisers, such a bona fide Competing Transaction could reasonably be considered to become a Superior Proposal; and
- (b) after receiving written legal advice from its external legal advisers, that failing to respond to such a bona fide Competing Transaction would be likely to constitute a breach of the LWB Board's fiduciary or statutory obligations,

(the **Fiduciary Exception**).

### **Termination**

The Scheme Implementation Agreement may be terminated:

- (a) by either LWB or AGI, if the Scheme has not become Effective by 17 December 2012;
- (b) any time prior to 8.00am on the Second Court Date:
  - (1) by AGI if any director of the LWB Board (other than the Lion Nominee Director) who was a director of the LWB Board as at the date of the Scheme Implementation Agreement changes their recommendation or ceases to recommend to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme;
  - (2) by either LWB or AGI if the LWB Board determines that a Competing Proposal that was not solicited, invited, encouraged or initiated in breach of the No-Shop Obligation is a Superior Proposal; or
  - (3) by either AGI or LWB if the other is in material breach of any clause of the Scheme Implementation Agreement (excluding a representation or warranty set out in schedule 5 or schedule 6 to the Scheme Implementation Agreement), taken in the context of the Scheme as a whole, provided that either AGI or LWB, as the case may be, has, if practicable, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8:00am on the Second Court Date) after the time such notice is given;
- (c) by either LWB or AGI if the Scheme Resolution is not approved by the Requisite Majorities;
- (d) by either LWB or AGI if a Court or other Regulatory Authority has issued a final and non appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;
- (e) by either LWB or AGI if the Court does not make orders approving the Scheme and the parties exhaust all avenues of appeal, or agree not to appeal or receive legal advice that the appeal's prospects of success are less than 50%;
- (f) if a Condition Precedent is not satisfied and is not waived by LWB or AGI, as appropriate, and, after consultations in good faith, the parties are unable to agree to extend the date for satisfaction of the Condition Precedent or to proceed with the Scheme by alternative means or methods, provided that the Condition Precedent is for the benefit of the party wishing to terminate;
- (g) by either LWB or AGI if the other party or any of their Related Bodies Corporate becomes Insolvent; or
- (h) if agreed to in writing by AGI and LWB.

### **Warranties and representations**

Each party has given representations and warranties to the other that are considered to be normal for an agreement such as the Scheme Implementation Agreement.

### **Other**

LWB does not expect that any stamp duty will be payable on the transfer of Scheme Shares to AGI. However, if stamp duty is payable in connection with the Scheme, AGI has agreed to pay the stamp duty.

## 9 Implementation of the Scheme (continued)

### 9.2 Deed Poll

On or about the date of this Scheme Booklet, AGI executed the Deed Poll, under which it agreed, subject to the Scheme becoming Effective, to deposit an amount equal to the aggregate Scheme Consideration payable to all Scheme Participants in a trust account operated by LWB as trustee for the Scheme Participants.

Under the Scheme, LWB will pay to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to AGI by that Scheme Participant on the Implementation Date.

A copy of the Deed Poll is attached as Annexure C to this Scheme Booklet.

### 9.3 Special Dividend

If the Scheme proceeds, LWB Shareholders (other than AGI) will receive a Total Payment of \$5.30 per LWB Share. The Total Payment is expected to comprise:

- a cash payment of \$5.10 for each LWB Share held by Scheme Participants as at the Scheme Record Date; and
- a fully franked Special Dividend of \$0.20 for each LWB Share held by LWB Shareholders as at the Special Dividend Record Date.

Subject to LWB receiving a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI), the LWB Board intends to determine to pay the Special Dividend. The determination will be conditional on the Scheme becoming Effective.

LWB will make an announcement to ASX if it receives the Class Ruling (or a draft of it which is reasonably satisfactory to LWB and AGI) before the Second Court Hearing.

The Key Dates section of this Scheme Booklet sets out the proposed timing for implementation of the Scheme and also for determination and payment of the Special Dividend. These dates are indicative only and are subject to change. LWB will announce any change to the Key Dates to ASX.

As at the date of this Scheme Booklet, LWB expects that, subject to receiving a favourable Class Ruling from the ATO (or a draft of it which is reasonably satisfactory to LWB and AGI) and to LWB Shareholders approving the Scheme Resolution by the Requisite Majorities, immediately following the Scheme Meeting the LWB Board will make the determination to pay the Special Dividend. The determination to pay the Special Dividend will be conditional on the Scheme becoming Effective.

If determined and if the Scheme becomes Effective, the Special Dividend is expected to be paid on the Implementation Date.

For details of how LWB will fund the Special Dividend, see section 12.3 of this Scheme Booklet.

### 9.4 Scheme Meeting and approval requirements

In accordance with an order of the Court on or about the date of this Scheme Booklet, LWB has convened the Scheme Meeting to be held at 4:30pm (Perth time) on Monday, 17 September 2012 at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia. The Notice of Meeting for the Scheme Meeting is set out in Annexure D to this Scheme Booklet.

The purpose of the Scheme Meeting is for LWB Shareholders (other than AGI Shareholders) to consider whether or not to agree to the Scheme.

Instructions on how to attend and vote at the Scheme Meeting, and the Requisite Majorities to pass the Scheme Resolution, are set out in section 10 of this Scheme Booklet and in the Notice of Scheme Meeting.

## 9.5 Court approval of the Scheme

If:

- the Scheme is agreed to by the Requisite Majorities of LWB Shareholders at the Scheme Meeting; and
- all Conditions Precedent (other than Court approval) have been satisfied or waived (see section 9.1 of this Scheme Booklet),

then LWB will apply to the Court for orders approving the Scheme.

Each LWB Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

## 9.6 Effective Date

The Scheme will become Effective when an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC – the Effective Date.

On the Effective Date, LWB will notify ASX that the Scheme has become Effective.

LWB intends to apply to ASX for LWB Shares to be suspended from official quotation on ASX from close of trading on the Effective Date.

## 9.7 Scheme Record Date and Special Dividend Record Date

Those LWB Shareholders on the LWB Register on the Scheme Record Date, being 5:00pm (Perth time) on the seventh Business Day after the Effective Date, will be entitled to receive the Scheme Consideration in respect of the LWB Shares they hold as at the Scheme Record Date.

Those LWB Shareholders on the LWB Register on the Special Dividend Record Date, being 5:00pm (Perth time) on the fifth Business Day after the Effective Date will be entitled to receive any Special Dividend in respect of the LWB Shares that they own as at the Special Dividend Record Date.

## 9.8 Determination of persons entitled to Scheme Consideration

### (a) Dealings on or prior to the Scheme Record Date

For the purposes of determining the Scheme Participants, dealings in LWB Shares will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the LWB Register as the holder of the relevant LWB Shares on or before the Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the LWB Register is kept.

LWB will not accept for registration, nor recognise for any purpose, any transfer or transmission application or other request in respect of LWB Shares received after the Scheme Record Date.

### (b) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, LWB must maintain the LWB Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Participants. The LWB Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for LWB Shares (other than statements of holding in favour of AGI or any other AGI Shareholder) will cease to have effect; and
- each entry on the LWB Register (other than entries in respect of AGI or any other AGI Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the LWB Shares relating to that entry.

## 9 Implementation of the Scheme (continued)

### 9.9 Implementation Date

The Implementation Date is the fifth Business Day after the Scheme Record Date.

Under the Scheme Implementation Agreement, AGI must pay into a trust account nominated by LWB the aggregate Scheme Consideration payable to Scheme Participants two Business Days before the Implementation Date.

On the Implementation Date, LWB will pay the Scheme Consideration received from AGI to Scheme Participants.

Once LWB has paid the Scheme Consideration, the Scheme Shares will be transferred to AGI without Scheme Participants needing to take any further action.

Also on the Implementation Date, subject to the matters set out in section 9.3, the LWB Board intends to determine to pay the Special Dividend to LWB Shareholders who held LWB Shares as at the Special Dividend Record Date.

### 9.10 Warranties by Scheme Participants

The terms of the Scheme provide that each Scheme Participant is taken to have warranted to LWB and AGI, and appointed and authorised LWB as its attorney to warrant to AGI, that:

- all their LWB Shares (including any rights and entitlements attaching to those shares) that are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interest and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- they have full power and capacity to transfer their LWB Shares to AGI together with any rights attaching to those shares.

Under the terms of the Scheme, LWB undertakes that it will provide these warranties to AGI as the agent and attorney of each Scheme Participant.

### 9.11 Delisting of LWB

On a date after the Implementation Date to be determined by AGI, LWB will apply for the termination of the official quotation of LWB Shares on ASX and for LWB to be removed from the official list of ASX.

# 10 How to vote

## 10.1 Your vote is important

The Scheme will only become Effective and be implemented if it is:

- agreed to by Non-AGI Shareholders at the Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Agreement by Non-AGI Shareholders requires the Scheme Resolution to be approved by:

- a majority in number (more than 50%) of Non-AGI Shareholders present and voting on the Scheme Resolution at the Scheme Meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Non-AGI Shareholders present and voting at the Scheme Meeting (either in person or by proxy), **(Requisite Majorities)**.

The Court has discretion to waive the first of these two requirements if it considers it appropriate to do so.

## 10.2 Notice of Scheme Meeting

The Notice of Scheme Meeting is contained in Annexure D to this Scheme Booklet.

## 10.3 Location of Scheme Meeting

The Scheme will be voted on by Non-AGI Shareholders at the Scheme Meeting to be held at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia at 4:30pm on Monday, 17 September 2012.

## 10.4 Voting procedure

You may vote on the Scheme by attending the Scheme Meeting in person, proxy, by attorney or, in the case of a corporation which is a LWB Shareholder, by corporate representative. Voting at the Scheme Meeting will be by poll.

Voting is not compulsory.

### (a) Voting in person

If you are entitled to vote at the Scheme Meeting and wish to do so in person, you should attend the Scheme Meeting. An entitled LWB Shareholder who wishes to attend and vote in person will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing their name and address.

### (b) Voting by proxy

If you are entitled to vote at the Scheme Meeting and wish to appoint a proxy to attend and vote on your behalf, you must complete and return the Proxy Form by no later than 4:30pm on 15 September 2012 in accordance with the instructions on the form.

### (c) Voting in person through an attorney or body corporate representative

If you are entitled to vote at a Scheme Meeting, you may have an attorney or, if you are a body corporate, a body corporate representative attend and vote on your behalf.

## 10.5 Voting entitlement

Each Non-AGI Shareholder who is registered on the LWB Register at 4:30pm (Perth time) on 15 September 2012 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy, by attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

In the case of LWB Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one LWB Shareholder votes in respect of jointly held LWB Shares, only the votes of the LWB Shareholders whose name appears first in the LWB Register will be counted.

# 10 How to vote (continued)

## 10.6 Your choices

As a LWB Shareholder, you currently have three choices available to you. These choices are set out below:

### (a) Vote at the Scheme Meeting

You can vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative in respect of some or all of your LWB Shares. Details of how to vote at the Scheme Meeting are set out in section 10.4 above. You may vote in favour of or against the Scheme.

Please note that if you vote against the Scheme and the Scheme is approved and becomes Effective, then any LWB Shares held by you on the Scheme Record Date will be transferred to AGI, and Scheme Participants will receive the Scheme Consideration, notwithstanding that you have voted against the Scheme.

### (b) Sell your LWB Shares on market

You can sell your LWB Shares on ASX at any time before the close of trading on the day that the Scheme becomes Effective. This is expected to occur on the Effective Date. If you sell your LWB Shares on ASX, you may be liable for CGT upon the disposal of your LWB Shares (see section 11), and may incur brokerage costs. If the Scheme becomes Effective, LWB Shares will cease trading on the ASX at close of trading on the Effective Date.

LWB Shareholders who wish to sell some or all of their LWB Shares on ASX should contact their broker for information on how to effect that sale.

### (c) Do nothing

If you do not wish to vote for or against the Scheme, or sell your LWB Shares on ASX, you may choose to do nothing.

LWB Shareholders should note that if they do nothing and the Scheme is approved and becomes Effective, then any Scheme Shares held by Scheme Participants on the Scheme Record Date will be transferred to AGI, and Scheme Participants will be paid the Scheme Consideration, notwithstanding that they may not have voted for or against the Scheme.



# 11 Taxation implications

## 11.1 Taxation outline

### General

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes Effective) and the Special Dividend for LWB Shareholders. The comments set out below are relevant only to those LWB Shareholders who hold their LWB Shares on capital account. The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of an LWB Shareholder. LWB Shareholders should seek independent professional advice in relation to their own particular circumstances.

LWB Shareholders who hold their LWB Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or who acquired their LWB Shares pursuant to an employee share, option or achievement rights plan should also seek their own advice.

LWB Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

### ATO class ruling

LWB has applied to the ATO requesting a class ruling to confirm the key Australian CGT and income taxation implications of the Scheme and the Special Dividend for LWB Shareholders as noted below (**Class Ruling**).

The Class Ruling has not been finalised as at the date of the Scheme Booklet. LWB anticipates that the ATO will provide a draft of the Class Ruling prior to the Scheme becoming Effective. LWB will make an announcement to ASX if it receives the Class Ruling (or a draft of it which is reasonably satisfactory to LWB and AGI) before the Scheme Meeting or the Second Court Hearing.

When the final Class Ruling is published by the ATO, it will be available on the ATO website at [www.ato.gov.au](http://www.ato.gov.au).

## 11.2 Australian resident shareholders

### Capital gains tax (CGT)

The Scheme will result in the disposal by LWB Shareholders to AGI of their LWB Shares. This change in the ownership of the Shares will constitute CGT event A1 for Australian CGT purposes.

The date of disposal of the LWB Shares for CGT purposes will be the Implementation Date.

### Calculation of capital gain or capital loss

LWB Shareholders may make a capital gain on the disposal of LWB Shares to the extent that the capital proceeds from the disposal of the LWB Shares are more than the cost base of those LWB Shares. Conversely, LWB Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those LWB Shares.

#### *Cost base*

The cost base of the LWB Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the LWB Shareholder. The reduced cost base of the LWB Shares is usually determined in a similar, but not identical, manner.

#### *Capital proceeds*

The capital proceeds received in respect of the disposal of each LWB Share should be \$5.30 per LWB Share, including both the Scheme Consideration and the Special Dividend (if any).

#### *Anti-overlap provisions*

If paid, the Special Dividend will also be included in the assessable income of a resident LWB Shareholder (see 'Taxation consequences of the Special Dividend' below) and there may be additional consequences depending upon whether you make a capital gain or capital loss in connection with the disposal.

If you make a capital gain in connection with the disposal, your capital gain will be reduced by the amount of the Special Dividend. However, if the capital gain is less than the amount of the Special Dividend, your capital gain is instead reduced to nil and no capital loss will arise.

If you make a capital loss in connection with the disposal, the anti-overlap provisions will not adjust the amount of your capital loss.

## 11 Taxation implications (continued)

### *Other issues*

Individuals, complying superannuation entities or trustees that have held LWB Shares for at least 12 months may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of LWB Shares by 50% in the case of individuals and trusts or by 33% for complying superannuation entities. For trusts the ultimate availability of the discount may depend on a beneficiary's entitlement to the discount.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

### **Taxation consequences of the Special Dividend**

LWB Shareholders who are Australian tax residents and who receive the Special Dividend should include the amount of the Special Dividend in their assessable income. It is expected that the Special Dividend will be fully franked.

If certain requirements are met, the LWB Shareholders who receive the Special Dividend will be:

- (a) required to include the amount of the attached franking credits in their assessable income; and
- (b) be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend.

These requirements include:

- the LWB Shareholder being a 'qualified person' in relation to the Special Dividend; and
- whether certain dividend franking integrity measures apply.

In order for an LWB Shareholder to be a 'qualified person' they must hold their LWB Shares 'at-risk' for a continuous period of not less than 45 days during a prescribed period. The prescribed period is expected to be from 11 August 2012 to 25 September 2012 (inclusive). The Class Ruling will outline in further detail the ATO's views as to when an LWB Shareholder will satisfy the relevant holding period test with respect to the Special Dividend.

If you are an individual or complying superannuation fund and your tax liability for the income year is less than the amount of the franking credits attached to the Special Dividend, you may be entitled to a refund for the excess franking credits. This does not extend to companies.

### 11.3 Non-resident shareholders

For a LWB Shareholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their LWB Shares in carrying on a business through a permanent establishment in Australia;

the disposal of LWB Shares will generally only result in Australian CGT implications if:

- (a) that LWB Shareholder together with its associates held 10 percent or more of the LWB Shares at the time of disposal or for any continuous 12 month period within 2 years preceding the disposal (referred to as a 'non-portfolio interest'); and
- (b) more than 50% of LWB's value is due to direct or indirect interests in Australian real property (as defined in the income tax legislation).

If you hold a 'non-portfolio' interest in LWB, you should obtain independent advice as to the tax implications of sale, and whether any protection will be available under a relevant double tax treaty.

A non-resident LWB Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the LWB Shares as set out in section 11.2.

LWB Shareholders who are not residents of Australia should not be subject to income tax in Australia in respect of the Special Dividend, provided they do not hold the LWB Shares through an Australian permanent establishment. As the Special Dividend (if paid) will be fully franked, such shareholders should receive the full amount of the Special Dividend free of any Australian dividend withholding tax.

### 11.4 Goods and services tax (GST)

Holders of LWB Shares should not be liable to GST in respect of a disposal of those LWB Shares.

LWB Shareholders may be charged GST on costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. LWB Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

## 12 Additional information

### 12.1 Interests of LWB Directors

#### (a) LWB Directors' interests in LWB Shares

As at the date immediately before the date of this Scheme Booklet, the LWB Directors had the following Relevant Interests in LWB Shares:

Name of LWB Director	Number of LWB Shares
Mr Ian Cochrane	147,500
Mr Howard Cearns	4,065,000
Mr Adrian Fini	10,477,621
Mr David Martin	4,002,951
Mr Nic Trimboli	3,893,500
Ms Kylie Webster	62,100
Mr Jamie Tomlinson	Nil

Each Non-Lion Director intends to vote any LWB Shares held or controlled by him or her in favour of the Scheme Resolution, in the absence of a Superior Proposal.

#### (b) LWB Directors' dealings in LWB Shares

No LWB Director acquired or disposed of a Relevant Interest in any LWB Shares in the four-month period ending on the date immediately before the date of this Scheme Booklet.

### 12.2 Achievement Rights Plan

#### (a) Background

LWB has an incentive scheme in place under which the LWB Directors have the discretion to grant eligible LWB employees rights over shares under an achievement rights plan (**Achievement Rights Plan**). Certain key management personnel and other specified team members have been invited to participate in the Achievement Rights Plan.

There are currently a total of 146,479 Achievement Rights outstanding, all of which are not due for vesting until after the time the Scheme is expected to become Effective.

A brief explanation of the relevant terms of the Achievement Rights, and some information regarding the implications of the Scheme for holders of Achievement Rights, is set out below.

#### (b) Overview of Achievement Rights Plan

Achievement Rights granted under the Achievement Rights Plan enable holders to acquire LWB Shares for nil or nominal consideration, subject to the satisfaction of any vesting conditions imposed by the LWB Board at the time of grant.

Each year, the Nomination & Remuneration Committee considers the targets and key performance indicators (**KPIs**) set for each executive, and assessed level of achievement as determined for each eligible executive except the CEO. The CEO's performance is assessed separately by the Board. The number of Achievement Rights for which each participating executive is eligible is determined based on a formula which divides 20% of the base salary (before superannuation) by the weighted average share price for the 30 day period following the release of the annual financial report. The total number of eligible shares is then multiplied by the percentage achievement of agreed KPIs over the year to determine the total number of Rights to be approved by the Board for issue to the employee.

In the ordinary course, each Achievement Right would be exercisable into one LWB Share where the applicable vesting conditions are met. However, the rules of the Achievement Rights Plan give the LWB Board the discretion to determine that any outstanding, unvested Achievement Rights vest early in certain circumstances.

## 12 Additional information (continued)

### (c) Achievement Rights and the Scheme

In accordance with the rules of the Achievement Rights Plan, the LWB Board has determined that on the Effective Date, all outstanding Achievement Rights will vest. LWB will issue LWB Shares to the holders of those Achievement Rights before the Special Dividend Record Date and Scheme Record Date, so that those LWB Shares are entitled to receive the Special Dividend and to participate in the Scheme.

The vesting of the Achievement Rights is conditional on the Scheme becoming Effective.

## 12.3 Payment and funding of the Special Dividend

### (a) Special Dividend Loan

In the Scheme Implementation Agreement, AGI has agreed that, if requested in writing by LWB on or before the date which is 5 Business Days before the Implementation Date, it will provide an unsecured, interest-free loan to LWB (Special Dividend Loan) of up to the aggregate amount payable by LWB in respect of the Special Dividend. AGI's obligations in relation to the Special Dividend Loan will be satisfied by the payment of the relevant amount in immediately available funds into an account nominated by LWB on the date which is 2 Business Days before the Implementation Date.

As at the date of this Scheme Booklet, LWB intends to request that AGI provide the Special Dividend Loan for the full amount payable by LWB in respect of the Special Dividend.

### (b) Financial assistance

Section 260A of the Corporations Act permits a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind is permitted if the giving of assistance does not materially prejudice:

- the interests of the company;
- the interests of its shareholders; or
- the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under section 260A) may take the form of paying a dividend and may be given before the acquisition of shares.

If the Class Ruling is obtained, the LWB Board intends to determine to pay the Special Dividend of \$0.20 in relation to each LWB Share held on the Special Dividend Record Date. AGI will be a LWB Shareholder as at the Special Dividend Record Date, so will be entitled to receive the Special Dividend. If the Scheme is approved by the Requisite Majorities at the Scheme Meeting and is approved by the Court on or about the date of the Second Court Date, the Special Dividend is expected to be paid on the Implementation Date.

LWB does not consider that the payment of the Special Dividend will materially prejudice the interests of LWB or LWB Shareholders or materially prejudice LWB's ability to pay its creditors. This conclusion has been reached after carefully considering the financial position of LWB, including taking into account the proposed provision by AGI of the Special Dividend Loan to LWB for payment of the Special Dividend.

## 12.4 Interests and dealings in AGI Shares

### (a) Interests in AGI Shares

As at the date immediately before the date of this Scheme Booklet, no LWB Director had a Relevant Interest in any AGI Shares.

### (b) Dealings in AGI Shares

No LWB Director acquired or disposed of a Relevant Interest in any AGI Shares in the four month period ending on the date immediately before the date of this Scheme Booklet.

## 12.5 Benefits and agreement

### (a) Benefits in connection with retirement from office

No payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of LWB (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in LWB or any of its Related Bodies Corporate in connection with the Scheme, other than in his or her capacity as a LWB Shareholder or a holder of Achievement Rights.

### (b) Agreements connected with or conditional on the Scheme

Except as set out below, there are no agreements or arrangements made between any LWB Director and any other person in connection with, or conditional on, the outcome of the Scheme, other than in their capacity as a LWB Shareholder.

AGI has indemnified LWB and each LWB Director from any claim, demands, damages, losses, costs, expenses and liabilities incurred directly or indirectly as a result of any of the representations and warranties given by AGI in Schedule 4 to the Scheme Implementation Agreement.

Mr Howard Cearns and Mr Nic Trimboli, both LWB Directors, are parties to consultancy deeds with LWB entered into in 2005, under which they have provided certain consultancy services to LWB. Under these consultancy deeds, each of LWB and Mr Cearns and Mr Trimboli are entitled to terminate at any time on 6 months' notice (which LWB can elect to pay out). In addition, each of Mr Cearns and Mr Trimboli are entitled to terminate their deeds on a change in control of LWB with immediate effect. As at the date of this Scheme Booklet, these consultancy deeds remain on foot. Neither Mr Cearns nor Mr Trimboli has advised LWB of any intention to terminate their respective consultancy deeds.

AGI has advised LWB that, following implementation of the Scheme, it intends to enter into discussions with Mr Cearns and Mr Trimboli regarding their ongoing consulting roles with the LWB Group. As at the date of this Scheme Booklet, no agreement is in place between AGI and either Mr Cearns or Mr Trimboli.

BrainCELLS, a marketing agency, associated with Mr Cearns, has been engaged by LWB to provide design and printing services in connection with this Scheme Booklet. The engagement is on normal commercial terms for the type of services being provided by BrainCELLS.

### (c) Interests of LWB Directors in contracts with AGI

Other than the interests set out below or elsewhere in this Scheme Booklet, none of the LWB Directors has any interest in any contract entered into by AGI, or any Related Body Corporate of AGI, other than in their capacity as a LWB Shareholder.

LWB occupies the premises at 40 Mews Road in Fremantle, Western Australia under the terms of a sub-lease (**Sublease**) between Little Creatures Brewing Pty Ltd, a wholly-owned subsidiary of LWB (the **Sub-lessee**), and Fini Group Pty Ltd (**Sub-lessor**). One of the LWB Directors, Mr Adrian Fini, is also a director of Fini Group Pty Ltd. The Sublease contains customary and usual terms for this type of commercial lease.

The head lease is between Fini Group Pty Ltd and the Western Australian Minister for Transport (**Head-lessor**).

The Sub-lessee exercised an option to renew the Sub-lease on 2 March 2012. The parties are in the process of finalising the terms of the renewal.

The consent of the Sub-lessor and the Head-lessor are required for the deemed assignment of the Sub-lease that will occur as a result of the implementation of the Scheme. The Scheme is not conditional on AGI obtaining these consents. AGI has advised LWB that, as at the date of this Scheme Booklet, AGI has held preliminary discussions with the Sub-lessor to agree a process for obtaining the necessary consents and to ensure appropriate lease arrangements are in place following implementation of the Scheme. As at the date of this Scheme Booklet, no agreement has been reached between AGI and the Sub-lessor. It is expected that any agreement will contain customary and usual arm's length terms for this type of commercial lease.

### (d) Benefits from AGI

None of the LWB Directors has agreed to receive, or is entitled to receive, any benefit from AGI or any Related Body Corporate of AGI which is conditional on, or is related to, the Scheme, other than in their capacity as a LWB Shareholder or as set out in this section 12.5.

## 12 Additional information (continued)

### 12.6 Status of regulatory conditions

The regulatory approvals that are conditions to the Scheme are discussed in section 9.1 of this Scheme Booklet. As at the date of this Scheme Booklet, and as announced on 27 June 2012, AGI has received notice from FIRB stating that FIRB has no objections to the proposal for Kirin Holdings Company Limited, through its wholly-owned subsidiary, to acquire up to 100% in LWB, in terms of the Government's foreign investment policy. Accordingly, the requirement to obtain FIRB approval under the condition outlined in section 9.1(c) has been satisfied.

In addition, AGI has advised LWB that the ACCC has notified AGI in writing that it does not propose to take any action in relation to the Acquisition for the purposes of section 50 of the *Competition and Consumer Act 2010* (Cth). However, consistent with its usual practice, the ACCC reserved its right to reconsider the decision if conditions change or it receives further information or it learns that any information upon which it referred is incorrect or incomplete.

LWB will make a statement regarding the status of the regulatory conditions at the commencement of the Scheme Meeting.

### 12.7 ASIC relief

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC otherwise allows, this Scheme Booklet contain the matters set out in part 3 of schedule 8 to the Corporations Regulations. ASIC has granted the following relief from certain of those disclosure requirements.

Clause 8302(h) of part 3 of schedule 8 to the Corporations Regulations requires the Scheme Booklet to set out whether, within the knowledge of the LWB Directors, the financial position of LWB has materially changed since the date of the last balance sheet laid before a LWB annual general meeting or sent to LWB Shareholders in accordance with section 314 or 317 of the Corporations Act.

ASIC has granted LWB relief from this requirement on the basis that:

- (a) LWB has lodged an audited Preliminary Final Report for its financial year ending 30 June 2012 with ASX and before the date on which the explanatory statement is to be dispatched to LWB Shareholders;
- (b) the explanatory statement states that LWB will give a copy of the Preliminary Final Report free of charge to anyone who requests it before the Scheme is approved by order of the Court;
- (c) LWB discloses all material changes to its financial position occurring after 30 June 2012 and before the date of the explanatory statement in the explanatory statement; and
- (d) the explanatory statement sent to LWB Shareholders is substantially in the same form as given to ASIC on 25 July 2012.

### 12.8 ASX waivers

Listing Rule 7.14 provides that an entity must not have a record date for any purpose until at least 6 business days after its last record date but that an entity can have an identical record date for different purposes.

ASX has granted LWB a waiver from Listing Rule 7.14 to permit the Special Dividend Record Date to be within 6 business days of the Scheme Record Date.

### 12.9 Formal disclosures and consents

The following persons have given, and not withdrawn before the registration of this Scheme Booklet with ASIC, their written consent to be named in this Booklet in the form and context in which they are named:

- Ernst & Young Transaction Advisory Services Limited as Independent Expert;
- Gresham Advisory Partners Limited as financial adviser to LWB;
- Freehills as Australian legal adviser to LWB;
- Greenwoods & Freehills as Australian tax adviser to LWB;
- KPMG as auditor of LWB; and
- Security Transfer Registrars Pty Ltd as LWB's Registry.

AGI has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of the Lion Information in the form and context in which it appears in this Scheme Booklet.

Ernst & Young Transaction Advisory Services Limited has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report as an Annexure to this Scheme Booklet.

KPMG has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of statements in relation to its role as auditor of LWB in the form and context in which they appear in this Scheme Booklet.

Each of the persons named above:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make or purport to make any statement in this Scheme Booklet nor any statement on which a statement in this Scheme Booklet is based, other than AGI in respect of the Lion Information and Ernst & Young Transaction Advisory Services Limited in respect of the Independent Expert's Report; and
- to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and any statement included in this Scheme Booklet with the consent of that person as specified in this section 12.9.

### 12.10 No unacceptable circumstances

The LWB Directors believe that the Scheme does not involve any circumstances in relation to the affairs of LWB that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

### 12.11 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. LWB disclaims all liabilities to such persons.

LWB Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Acquisition in any jurisdiction outside of Australia.

### 12.12 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the LWB Directors are aware, there is no information material to the making of a decision by a LWB Shareholder in relation to the Scheme, being information that is within the knowledge of any LWB Director or director of any Related Bodies Corporate of LWB, at the time of lodging this Scheme Booklet with ASIC for registration, which has not been previously disclosed to LWB Shareholders.

### 12.13 Supplementary disclosure

LWB will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, LWB may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to LWB Shareholders at their registered address as shown in the LWB Register; or
- posting a statement on LWB's website at [www.littleworldbeverages.com](http://www.littleworldbeverages.com),

as LWB in its absolute discretion considers appropriate.

# 13 Glossary and interpretation

## 13.1 Glossary

In this Scheme Booklet, words have the following meanings, unless the context requires otherwise.

<b>Term</b>	<b>Meaning</b>
ACCC	the Australian Competition and Consumer Commission.
Achievement Rights	the meaning given in section 12.2 of this Scheme Booklet.
Achievement Rights Plan	the meaning given in section 12.2 of this Scheme Booklet.
Acquisition	the acquisition of LWB by AGI to be effected by the Scheme in accordance with the Scheme Implementation Deed.
AGI	Anglo-Gaelic Investments Pty Ltd ABN 32 085 204 182.
AGI Board	the board of directors of AGI as constituted from time to time.
AGI Director	a director on the AGI Board as constituted from time to time.
AGI Share	an issued fully paid ordinary share in the capital of AGI.
AGI Shareholder	AGI and AGI's Related Bodies Corporate.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	Australian Taxation Office and includes the Commissioner of Taxation.
Business Day	a weekday on which trading banks are open for business in Perth, Western Australia.
CGT	Capital Gains Tax
Class Ruling	the meaning given in section 11.1 of this Scheme Booklet.
Competing Transaction	<p>a transaction which, if completed, would mean a person (other than AGI or its Related Body Corporate or Representatives) would:</p> <ol style="list-style-type: none"><li>(1) directly or indirectly, acquire an interest, a Relevant Interest in or become the holder of:<ul style="list-style-type: none"><li>• more than 20% of the shares in LWB or more than 50% of the shares in any of LWB's material subsidiaries; or</li><li>• the whole or a material part of the business or property of LWB or any of its material subsidiaries,</li></ul>including by way of a takeover bid, scheme of arrangement, capital reduction, sale of assets or joint venture;</li><li>(2) acquire control of LWB, within the meaning of section 50AA of the Corporations Act; or</li><li>(3) otherwise acquire or merge (including by way of a reverse takeover bid or dual listed companies structure) with LWB.</li></ol> <p>For the purposes of paragraph (1) above, a subsidiary of LWB will be a material subsidiary if:</p> <ol style="list-style-type: none"><li>(1) the business or property of the subsidiary contributes 30% or more of the consolidated net profit after tax of LWB; or</li><li>(2) the business or property of the subsidiary represents 30% or more of the total consolidated assets of LWB.</li></ol> <p>For the purposes of paragraph (1) above, the acquisition of an interest in the business or property of LWB or any of its subsidiaries will be material if:</p> <ol style="list-style-type: none"><li>(1) the relevant business or property contributes 30% or more of the consolidated net profit after tax of LWB; or</li><li>(2) the business or property represents 30% or more of the total consolidated assets of LWB.</li></ol>
Conditions Precedent	the conditions precedent to the implementation of the Scheme, a summary of which is set out in section 9.1 of this Scheme Booklet, and which are fully set out in clause 3.1 of and Schedule 1 to the Scheme Implementation Agreement.



Corporations Act	the Corporations Act 2001.
Corporations Regulations	the Corporations Regulations 2001 (Cth).
Court	the Federal Court (Western Australia registry) or such other court of competent jurisdiction under the Corporations Act agreed in writing by AGI and LWB.
Deed Poll	the deed poll executed by AGI on or about the date of this Scheme Booklet pursuant to which AGI acknowledges and confirms its obligations under the Scheme. The form of the Deed Poll executed by AGI is contained in Annexure C to this Scheme Booklet.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to a Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Exclusivity Period	the meaning given in section 9.1 of this Scheme Booklet.
FIRB	the Foreign Investment Review Board.
Implementation Date	the fifth Business Day after the Scheme Record Date.
Independent Expert	Ernst & Young Transaction Advisory Services Limited.
Independent Expert's Report	the report by the Independent Expert dated 17 July 2012, included as Annexure A to this Scheme Booklet.
Insolvent	<p>a person is <b>Insolvent</b> if:</p> <ol style="list-style-type: none"> <li>(1) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);</li> <li>(2) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;</li> <li>(3) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement);</li> <li>(4) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (1), (2) or (3) above;</li> <li>(5) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;</li> <li>(6) it is the subject of an event described in section 459C(2)(B) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject);</li> <li>(7) it is otherwise unable to pay its debts when they fall due; or</li> <li>(8) something having a substantially similar effect to (1) to (7) happens in connection with that person under the law of any jurisdiction.</li> </ol>
JPY	Japanese Yen.
Kirin	Kirin Holdings Company, Limited a company incorporated in Japan.
Lion	Lion Pty Ltd ABN 50 128 004 268.
Lion Board	the board of directors of Lion as constituted from time to time.
Lion Director	a director on the Lion Board as constituted from time to time.
Lion Group	Lion and each of its Related Bodies Corporate (including AGI).
Lion Information	the information contained in the Letter from the Chief Executive Officer of Lion and section 8 of this Scheme Booklet.
Lion Nathan	Lion Nathan Pty Ltd ABN 34 093 160 448, formerly Lion Nathan Limited.
Lion Nominee Director	Mr Jamie Tomlinson.

## 13 Glossary and interpretation (continued)

<b>Listing Rules</b>	the official listing rules of ASX.
<b>LWB</b>	Little World Beverages Limited ABN 25 081 128 255.
<b>LWB Board</b>	the board of directors of LWB as constituted from time to time.
<b>LWB Director or Director</b>	a director on the LWB Board.
<b>LWB Group</b>	LWB and its Subsidiaries.
<b>LWB Registry</b>	Security Transfers Registrars Pty Ltd ABN 95 008 894 488.
<b>LWB Share</b>	an issued fully paid ordinary share in the capital of LWB, together with all Rights attached to that share.
<b>LWB Shareholder</b>	each person who is registered in the LWB Register as a holder of LWB Shares.
<b>Material Adverse Event</b>	<p>means a Specified Event which individually, or when aggregated with other Specified Events of a similar kind or category, has resulted in, or is reasonably likely to result in:</p> <ol style="list-style-type: none"> <li>(1) the value of the consolidated net assets of the LWB Group reported in the LWB Group's financial statements for the year ending 31 December 2011 being reduced by 15% or more; or</li> <li>(2) the value of consolidated EBITDA of the LWB Group reported in the LWB Group's financial statements for the year ending 31 December 2011 being reduced by 15% or more,</li> </ol> <p>but does not include:</p> <ol style="list-style-type: none"> <li>(3) any matter fairly disclosed to Lion or its Representatives on or before the date of this agreement (including as a result of disclosures made to ASX);</li> <li>(4) any changes that are or result from changes in general economic or political conditions or the securities market in general;</li> <li>(5) any changes resulting from conditions affecting the beer and cider brewing and hospitality industries generally;</li> <li>(6) customer or supplier actions that can reasonably be considered to have directly resulted from the announcement or implementation of the Scheme;</li> <li>(7) any change in accounting policy required by law; or</li> <li>(8) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this agreement, the Scheme or the transactions contemplated by them, including the payment by LWB of the Special Dividend.</li> </ol> <p>For the avoidance of doubt, a fall in LWB's share price or the trading volume of LWB's shares will not, of themselves, constitute a Material Adverse Event.</p>
<b>No-shop Obligation</b>	the meaning as defined in section 9.1 of this Scheme Booklet.
<b>No-talk Obligation</b>	the meaning as defined in section 9.1 of this Scheme Booklet.
<b>Nomination &amp; Remuneration Committee</b>	means the LWB nomination and remuneration committee.
<b>Non-AGI Shareholder</b>	each LWB Shareholder other than AGI.
<b>Non-Lion Directors</b>	a director on the LWB Board other than the Lion Nominee Director.
<b>Notice of Scheme Meeting</b>	means the notice in relation to the Scheme Meeting, included as Annexure D to this Scheme Booklet.
<b>Proxy Form</b>	the Proxy Form which accompanies this Scheme Booklet.
<b>LWB Register</b>	the share register of LWB.
<b>Registered Address</b>	in relation to a LWB Shareholder, the address shown in the LWB Register as at the Scheme Record Date.
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.

<b>Regulatory Authority</b>	includes: (1) ASX, the ACCC, ASIC and FIRB; (2) a government or governmental, semi-governmental or judicial entity or authority including a Tax Authority; (3) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (4) any regulatory organisation established under statute.
<b>Representative</b>	in respect of either LWB or AGI, its Related Bodies Corporate and each director, officer, employee, adviser, agent or representative of that party and its Related Bodies Corporate.
<b>Requisite Majorities</b>	is: (1) a majority in number (more than 50%) of the Non-AGI Shareholders present and voting on the Scheme Resolution at the Scheme Meeting (either in person or by proxy); and (2) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by the Non-AGI Shareholders present and voting at the Scheme Meeting (either in person or by proxy).
<b>Rights</b>	all accretions, rights or benefits of whatever kind attaching to or arising from LWB Shares directly or indirectly after the date of this Scheme Booklet, including all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares or other securities, which are declared, paid or made by a member of the LWB Group, except in respect of the Special Dividend.
<b>Scheme</b>	the scheme of arrangement between LWB and Scheme Participants under which all Scheme Shares will be transferred to AGI in accordance with Part 5.1 of the Corporations Act, substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
<b>Scheme Booklet</b>	this document, including any annexure to it.
<b>Scheme Consideration</b>	in respect of each Scheme Share, \$5.30 per LWB Share less the amount of any dividend(s) declared or determined to be payable, or paid, by LWB in respect of LWB Shares (including the Special Dividend) up to the Implementation Date.
<b>Scheme Implementation Agreement</b>	the Scheme Implementation Agreement between LWB and AGI dated 17 June 2012. A summary is set out in section 9.1 of this Scheme Booklet, and a full copy can be obtained from LWB's website <a href="http://www.littleworldbeverages.com">www.littleworldbeverages.com</a> .
<b>Scheme Meeting</b>	the meeting of LWB Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>Scheme Participant</b>	each person other than an AGI Shareholder who is a LWB Shareholder as at the Scheme Record Date.
<b>Scheme Record Date</b>	5.00pm on the seventh Business Day after the Effective Date or such other date as LWB and AGI agree.
<b>Scheme Resolution</b>	means the resolution in relation to the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.
<b>Scheme Share</b>	a LWB Share held by a Scheme Participant.
<b>Second Court Date</b>	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.  The hearing of the application made to the Court for the order under section 411(4)(b) of the Corporations Act approving the Scheme is the <b>Second Court Hearing</b> .
<b>Special Dividend</b>	a \$0.20 per LWB Share fully franked dividend which, if determined, will be paid by LWB to those persons registered as LWB Shareholders on the Special Dividend Record Date.
<b>Special Dividend Loan</b>	the meaning given in section 12.3 of this Scheme Booklet.

## 13 Glossary and interpretation (continued)

<b>Special Dividend Record Date</b>	the record date in respect of the proposed Special Dividend, currently expected to be the fifth Business Day after the Effective Date.
<b>Specified Events</b>	means an event, occurrence or matter that: <ol style="list-style-type: none"><li>(1) occurs or fails to occur after the date of the Scheme Implementation Agreement;</li><li>(2) occurs or fails to occur before the date of the Scheme Implementation Agreement but is only disclosed to Lion, announced or publicly disclosed after the date of the Scheme Implementation Agreement; or</li><li>(3) will or is likely to occur after the date of the Scheme Implementation Agreement and which has not been publicly announced or disclosed to Lion prior to the date of the Scheme Implementation Agreement.</li></ol>
<b>Subsidiaries</b>	has the meaning given to it in the Corporations Act.
<b>Superior Proposal</b>	a bona fide Competing Transaction which the LWB Board (other than the Lion Nominee Director), acting in good faith, and acting reasonably, after taking advice from its legal and financial advisers, determines is: <ol style="list-style-type: none"><li>(1) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and</li><li>(2) of higher financial value and more favourable to Scheme Participants than the Scheme, taking into account all terms and conditions of the Competing Transaction.</li></ol>
<b>Tax Authority</b>	any governmental authority responsible for the imposition, collection or recovery of any tax or duty.
<b>Total Payment</b>	\$5.30 per LWB Share, comprising the Scheme Consideration and the Special Dividend (if any).
<b>Voting Power</b>	the meaning given in section 610 of the Corporations Act.

### 13.2 Interpretation

In this Scheme Booklet:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words of any gender include all genders;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section or annexure, is a reference to a section, or annexure, of this Scheme Booklet as relevant;
- (f) a reference to any legislation includes all delegated legislation made under it and amendment, consolidations, replacements or re-enactments of any of them;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (h) a reference to time is a reference to Perth time;
- (i) a reference to dollars, \$, A\$, AUD, cents and currency is a reference to the lawful currency of the Commonwealth of Australia;
- (j) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (k) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to, that example or examples of a similar kind.

# Annexure A - Independent Expert's Report



Independent Expert's Report and  
Financial Services Guide

**Little World Beverages Limited**  
Scheme of Arrangement

17 July 2012

 **ERNST & YOUNG**

# Annexure A - Independent Expert's Report (continued)



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## PART 1 – INDEPENDENT EXPERT'S REPORT

The Directors  
Little World Beverages Limited  
40 Mews Road  
Fremantle WA 6160

17 July 2012

Dear Sirs

### Scheme of Arrangement

On 18 June 2012, Little World Beverages Limited ("LWB" or the "Company") announced that it had entered into a Scheme Implementation Agreement (the "SIA") with Anglo-Gaelic Investments Pty Ltd ("AGI"), a wholly owned subsidiary of Lion Pty Ltd ("Lion"), under which AGI is proposing to acquire all the ordinary shares in LWB it does not already own via a scheme of arrangement (the "Scheme"). Under the Scheme, AGI is to offer LWB shareholders other than AGI ("LWB Shareholders") a cash consideration of \$5.30 per LWB share, less any dividends paid from 18 June 2012 to the day after the Scheme becomes effective, up to a maximum of \$0.20 per share (the "Scheme Consideration"). The Scheme is to be implemented under section 411 of the Corporations Act (the "Act").

The SIA, which is subject to the satisfaction of a number of conditions, was entered into on 17 June 2012. On that day AGI had a 36.3% interest in the issued shares of LWB. This interest has been subsequently diluted to a 34.7% interest.

Lion, AGI's parent company, is a major beverage and food company that has operations across Australia, New Zealand, Singapore, Malaysia and Indonesia. Lion's head office is in Sydney. Lion's products include household-name brands in beer, wine, spirits, milk, dairy products, juices and soy beverages. Lion is a wholly owned subsidiary of Japan based Kirin Holdings Company, Limited ("Kirin"). Kirin, through its various group companies, operates in a range of businesses from alcoholic beverages and soft drinks to dairy food, health foods and pharmaceuticals. Kirin is listed on the Stock Exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo, and at 30 June 2012 had a market capitalisation of approximately US\$11 billion.

The shareholders of LWB other than AGI are to consider a resolution seeking approval of the Scheme at a general meeting of the Company that is to be held on or about 17 September 2012 (the "Meeting"). In the absence of a superior proposal, the Directors of LWB not associated with Lion (the "Non-Lion Directors") have recommended that LWB Shareholders vote in favour of the Scheme.

Under clause 8303 of Schedule 8 of the Corporations Regulations 2001 (the "Regulations"), if the other party to the proposed transaction has a 30% or more interest in the company the subject of the scheme or if the parties to the scheme have a common director then the documents sent to shareholders must be accompanied by a report prepared by an independent expert in which that person provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders and setting out the reasons for that opinion.

With AGI having a 34.7% interest in LWB, an independent expert's report is required pursuant to Schedule 8 in regards to the Scheme. As a result, the Non-Lion Directors of LWB have engaged Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") to prepare an independent expert's report in relation to the Scheme.



Accordingly, we have prepared this independent expert's report for the purpose of stating, in our opinion, whether or not the Scheme is in the best interests of LWB Shareholders and have set out the reasons for that opinion. Our report is being included in the Scheme Booklet being sent to LWB Shareholders in respect to the Meeting.

Neither the Act nor the Regulations define the term 'in the best interests of'. However, Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: Content of expert reports ("RG 111") which, amongst other matters, provides some direction as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

In the circumstance of a scheme that achieves the same outcome as a takeover offer, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. With AGI intending to acquire all of the issued shares in LWB that it does not already own, the outcome of the Scheme will be the same as if AGI was making a takeover offer. Accordingly, in determining whether the Scheme is in the best interest of LWB Shareholders we have assessed the Scheme as if it was a takeover offer.

Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover offer is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides guidance as to how the term should be interpreted in a range of circumstances. With respect to a takeover offer:

- ▶ an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares"; and
- ▶ an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 indicates that where an independent expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover offer, then the expert would be able to conclude that a scheme was 'in the best interests' of shareholders. On this basis, if the value of the Scheme Consideration being offered by AGI is equal to or greater than the value assessed for a LWB share then the Scheme would be in the best interests of LWB Shareholders.

### ***Summary of Opinion***

In Section 8.2 we set out our valuation conclusion, which shows that the Scheme Consideration being offered by AGI is at a premium in the range of between 4.9% and 22.7%, with a midpoint of 13.1%, to our assessed fair value of a LWB share on a 100% controlling interest basis. The Scheme Consideration is at a 39.8% premium to the last trading price of a LWB share prior to the announcement of the Scheme.

In Section 8.3, we set out the commercial and qualitative factors relevant to the consideration of the Scheme and in Section 8.4 we considered other factors relevant to the Scheme. While individual shareholders may interpret these factors differently depending on their own individual circumstances, in Ernst & Young Transaction Advisory Services' opinion the potential advantages outweigh the potential disadvantages to LWB Shareholders as a whole.

Based on the results of the analysis undertaken and taking into consideration the matters detailed in our report, in the opinion of Ernst & Young Transaction Advisory Services the Scheme is in the best interests of LWB Shareholders.

Having regard to the nature of the Scheme and the advantages and disadvantages, it is the opinion of Ernst & Young Transaction Advisory Services, that LWB Shareholders are likely to be better off if the Scheme proceeds.

### ***Other Matters***

This independent expert's report has been prepared specifically for LWB Shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young nor any employee thereof undertakes responsibility to any person, other than LWB Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This independent expert's report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of LWB Shareholders. The decision as to whether to approve or not approve the Scheme is a matter for individual LWB Shareholders. LWB Shareholders should have regard to the Notice of Meeting and Scheme Booklet prepared by the Non-Lion Directors and management of the Company in relation to the Scheme. LWB Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

## Annexure A - Independent Expert's Report (continued)



Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full independent expert's report as attached.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully  
Ernst & Young Transaction Advisory Services Limited

A handwritten signature in black ink, appearing to read 'Ken Pendergast'.

Ken Pendergast  
Director and Representative

A handwritten signature in black ink, appearing to read 'Tim Hatherley'.

Tim Hatherley  
Director and Representative



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### Part 2 – Financial Services Guide

## 1. Details of the Scheme

### 1.1 Overview

On 18 June 2012, LWB and AGI announced that they had entered into a SIA in relation to the Scheme, under which, subject to a number of conditions including shareholder approval, AGI intends to offer LWB Shareholders a Scheme Consideration of \$5.30 per LWB share, less any dividends paid from that date to the day after the Scheme becomes effective (the "Implementation Date"), up to a maximum of \$0.20 per share ("Special Dividend").

The final form of the total payment LWB Shareholders will receive is subject to LWB receiving a favourable class ruling from the Australian Taxation Office ("ATO") with respect to the tax treatment of the Scheme, in that:

- ▶ if a favourable ruling is received, LWB Shareholders will receive a cash payment from AGI of \$5.10 per share plus the payment by LWB of the Special Dividend of \$0.20 per share, fully franked; or
- ▶ if a favourable ruling is not received, LWB Shareholders will receive a cash payment from AGI of \$5.30 per share.

Regardless of the outcome of the tax ruling, LWB Shareholders will receive a total cash payment of \$5.30 per LWB share. We note that the payment of a Special Dividend is dependent on the Scheme becoming effective. If the Scheme does not proceed, the Special Dividend will not be declared.

LWB is a specialist craft brewing company that has been listed on the Australian Securities Exchange ("ASX") since November 2005. The Company operates brewing and packaging facilities at Fremantle in Western Australia and Healesville in Victoria, selling draught and packaged beer together with cider nationally and internationally. It also has hospitality operations in Fremantle and Melbourne. A third brewing and packaging facility is currently being established at Geelong in Victoria.

As at the date of the announcement, LWB had 65,225,222 ordinary shares on issue, together with 3,000,000 options (the "Options") and 162,433 achievement rights ("Achievement Rights"). Subsequent to the announcement all of the Options have been exercised and 15,954 Achievement Rights have vested.

With respect to the 146,479 Achievement Rights that remaining outstanding, in accordance with the rules of the plan under which they were issued, the Board has determined that if the Scheme becomes effective they will vest and become eligible to participate in the Scheme. With new shares being issued on the vesting of the Achievement Rights, the holders will be entitled to receive the Special Dividend.

Accordingly, the number of securities that LWB has on issue and will effectively participate in the outcome of the Scheme is summarised in the following table:

<b>LWB - Number of securities on issue</b>	
Shares outstanding - 18 June 2012	65,225,222
Options exercised	3,000,000
Acheivement Rights vested	15,954
Shares on issue	68,241,176
Achievement Rights outstanding (that will vest if Scheme proceeds)	146,479
<b>Number of securities on issue and participating in the Scheme</b>	<b>68,387,655</b>

*Source: LWB Management and EY analysis*

In accordance with the SIA, the Scheme Consideration being offered by AGI is to be \$5.30 per LWB share less the \$0.20 Special Dividend if paid. If the Special Dividend is declared, under the SIA, AGI has agreed to provide LWB with an interest free loan to fund the payment of the Special Dividend to LWB Shareholders. As noted above, regardless of whether the Special Dividend is paid, LWB Shareholders will receive a total cash payment of \$5.30 per share.

Based on the number of securities LWB has on issue, the offer price of \$5.30 implies an equity value for the Company of \$362.455 million.

# Annexure A - Independent Expert's Report (continued)



At the date of this report, AGI holds 23,650,123 shares in LWB. Based on this, the number of shares LWB has on issue and the outstanding Achievement Rights, the total cash amount AGI will be required to pay under the Scheme (including to the holders of the Achievement Rights) is summarised in the following table, along with the total amount of Scheme Consideration to be received by LWB Shareholders:

Total Consideration to be paid to LWB Shareholders	With Special Dividend	Without Special Dividend
<b>Scheme Consideration:</b>		
- Number of securities on issue and participating in Scheme	68,387,655	68,387,655
- Less shares held by AGI	(23,650,123)	(23,650,123)
- Current shares participating in the Scheme	44,737,532	44,737,532
- Cash consideration per share (\$)	5.10	5.30
	228,161,413	237,108,920
<b>Special Dividend:</b>		
- Number of securities participating in Special Dividend	44,737,532	44,737,532
- Special Dividend per share	0.20	0.00
	8,947,506	0
<b>Total Cash Payment to be paid to LWB Shareholders</b>	<b>237,108,920</b>	<b>237,108,920</b>

Source: EY analysis

Note: The Special Dividend will be paid to all LWB shareholders, including AGI. For the purposes of this table we have only considered non-AGI shareholders.

Accordingly, regardless of whether or not LWB pays the Special Dividend, the total amount LWB Shareholders will receive is \$237.109 million.

At the date of the announcement of the Scheme, the number of shares held by AGI equated to a 36.3% interest in LWB. With the exercise of the Options and vesting of the Achievement Rights, this interest has been diluted to 34.7%. With the vesting of the remaining Achievement Rights, AGI's interest will reduce to 34.6%.

LWB's Board of Directors is summarised below. As noted, Mr Jamie Tomlinson is the only Director associated with Lion. Therefore the 'Non-Lion Directors' are all of the Directors except for Mr Tomlinson.

LWB Directors	Role
Ian Cochrane	Non-executive Chairman
Howard Cearns	Non-executive Director
Adrian Fini	Non-executive Director
David Martin	Non-executive Director
Jamie Tomlinson (Lion's representative)	Non-executive Director
Nic Trimboli	Non-executive Director
Kylie Webster	Non-executive Director

The Meeting to be held for LWB Shareholders to consider the Scheme is to be held on or about 17 September 2012. Consistent with the requirements of the Act, the Scheme must be passed by more than 50% of LWB Shareholders (i.e. shareholders other than AGI) voting at the Meeting who together hold at least 75% of the votes cast. Lion is unable to vote on the Scheme.

In the absence of a superior proposal, each of the Non-Lion Directors intends to vote in favour of the Scheme in relation to the LWB shares held or controlled by them. They have also recommended that in the absence of a superior proposal, LWB Shareholders should vote in favour of the Scheme.



If the Scheme is implemented, LWB will become a wholly owned subsidiary of Lion, with LWB Shareholders receiving \$5.30 per share. LWB will no longer be listed on the ASX.

## 1.2 Conditions precedent

Completion of the Scheme is subject to a number of conditions (which, pursuant to the SIA, may be waived by agreement between LWB and AGI) including, amongst other matters:

- ▶ LWB Shareholders and the Federal Court of Australia approve the Scheme;
- ▶ All necessary approvals obtained from ASIC, ASX and the Federal Investment Review Board ("FIRB");
- ▶ An independent expert's report concluding that the Scheme is in the best interests of LWB Shareholders;
- ▶ No material adverse changes to LWB or its underlying business; and
- ▶ AGI and LWB's representation and warranties are true and correct.

LWB management has notified us that some of the conditions above have been satisfied or are expected to be satisfied in the near term.

Full disclosure of the conditions precedent to the Scheme is included in the Scheme Booklet.

# Annexure A – Independent Expert’s Report (continued)



## 2. Scope of the report

### 2.1 Purpose of the report

The Scheme is to be implemented by way of section 411 of the Act. Under sections 411(3)(b) and 412(1)(a)(ii) of the Act, explanatory statements prepared for schemes of arrangement are required to contain the information prescribed by regulation 5.1.01 and Schedule 8 of the Regulations.

Under clause 8303 of Schedule 8, amongst other circumstances, if the proponent of a scheme has a 30% or more interest in the company the subject of the scheme then the scheme documents sent to shareholders must be accompanied by a report prepared by an independent expert in which that person provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders.

With AGI having a 34.7% interest in LWB, an independent expert’s report is required pursuant to Schedule 8 in regards to the Scheme and will need to contain an opinion, as to whether or not the Scheme is in the best interests of the LWB Shareholders.

As a result, the Non-Lion Directors of LWB have engaged Ernst & Young Transaction Advisory Services to prepare an independent expert’s report, the purpose of which is to state, in our opinion, whether or not the Scheme is in the best interests of the LWB Shareholders and set out the reasons for that opinion.

Our report is being included in the Scheme Booklet being sent LWB Shareholders in respect to the Meeting.

This independent expert’s report considers the interests of LWB Shareholders as a whole and not individually. Individual shareholders may have issues that affect them in particular ways that are not general to the shareholders as a whole and this report cannot, and does not, consider such issues.

### 2.2 Basis of assessment

Neither the Act nor the Regulations define the term ‘in the best interests of’. However, ASIC has issued RG 111 which provides some direction as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

RG 111 notes that where a scheme of arrangement has the same effect as a takeover, the analysis used by the expert should be substantially the same as for a takeover offer. With AGI intending to acquire all of the shares in LWB that it does not already own, the Scheme has a similar effect as a takeover offer.

Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover offer is ‘fair and reasonable’. In this regard:

- ▶ Clause 17 of RG 111 indicates that where an independent expert would conclude that a proposal is ‘fair and reasonable’ if it was in the form of a takeover offer, then the expert would also be able to conclude that the scheme is ‘in the best interests’ of shareholders;
- ▶ Clause 18 of RG 111 indicates that where an independent expert would conclude that a proposal is ‘not fair but reasonable’ if it was in the form of a takeover offer, then it is still open to the expert to also conclude that the scheme is ‘in the best interests’ of shareholders; and
- ▶ Clause 19 of RG 111 indicates that where an independent expert would conclude that a proposal is ‘not fair and not reasonable’ if it was in the form of a takeover bid, then the expert would also conclude that the scheme is ‘not in the best interests’ of shareholders.

While there is no definition of ‘fair and reasonable’ contained in the Act or Regulations, RG 111 provides some guidance as to how the term should be interpreted in a range of circumstances. With respect to a takeover offer:

- ▶ an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is “inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares”; and

- ▶ an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 also indicates that an offer might also be 'reasonable despite being 'not fair' if the independent expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Consistent with the provisions of RG 111, a key aspect of the assessment as to whether or not the Scheme is in the best interest of the LWB Shareholders (i.e. fair and reasonable) will be the comparison of the fair value of a LWB share with the fair value of the Scheme Consideration being offered by AGI. On this basis in valuing a LWB share assuming 100% ownership, we would need to consider the fair value of the Company's underlying assets and liabilities.

'Fair value' in this context is considered to be 'the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length.

The other factors considered in assessing the Scheme include the following matters:

- ▶ the general terms and conditions of the Scheme;
- ▶ the rationale for the Scheme;
- ▶ consideration of the trading history of LWB's shares on the ASX;
- ▶ the premium, if any, that AGI may be paying;
- ▶ the possible impact on LWB's share price if the Scheme is not approved;
- ▶ the alternatives to the Scheme and the likelihood of an alternative, superior proposal being made to shareholders;
- ▶ other qualitative factors which we believe represent either advantages or disadvantages to the LWB Shareholders; and
- ▶ other significant matters.

Our fair value assessment of LWB and a LWB share is detailed in Section 7.

All amounts in this report are expressed in Australian dollars ("AUD" or "\$") unless otherwise stated.

In undertaking our analysis and preparing this report, we have had access to management information in relation to LWB. A list of the sources of information used and relied on is contained in Appendix F.

A glossary detailing the abbreviations we have used in this report is contained in Appendix G.

## 2.3 Shareholders' decisions

This independent expert's report has been prepared specifically for LWB Shareholders at the request of the Non-Lion Directors of the Company with respect to the Scheme. As such, Ernst & Young Transaction Advisory Services, Ernst & Young and any member or employee thereof, take no responsibility to any entity other than LWB Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of LWB Shareholders. The decision to approve or not approve the Scheme is a matter for individual shareholders. LWB Shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. LWB Shareholders should have regard to the Notice of Meeting and Scheme Booklet prepared by the Non-Lion Directors and management of the Company. LWB Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

# Annexure A – Independent Expert’s Report (continued)



Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

## 2.4 Independence

Prior to accepting this engagement, we considered our independence with respect to LWB, AGI and Lion with reference to ASIC Regulatory Guide 112 Independence of experts. In our opinion, we are independent of LWB, AGI and Lion.

Ernst & Young, and global affiliates, are the auditors of some of the subsidiaries of Kirin. We note that none of Kirin’s subsidiaries in Australia are audited by Ernst & Young, nor does Ernst & Young perform audit services for AGI or Lion. The principal persons responsible for the preparation of this report were not involved in any previous work for LWB, AGI, Lion or Kirin.

Ernst & Young, and global affiliations, have not provided any services to LWB, AGI or Lion in relation to the Scheme.

## 2.5 Limitations and reliance on information

In the preparation of this independent expert’s report, Ernst & Young Transaction Advisory Services was provided with information in respect of LWB and obtained additional information from public sources, as set out in Appendix F.

We have had discussions with the management of LWB in relation to the operations, financial position, operating results and outlook of LWB.

Ernst & Young Transaction Advisory Services’ opinion is based on economic, market and other external conditions prevailing at the date of this report. Such conditions can change over relatively short periods of time and these changes can be material.

This independent expert’s report is also based upon financial and other information provided by LWB in relation to the Scheme. Ernst & Young Transaction Advisory Services has considered and relied upon this information. LWB has represented to Ernst & Young Transaction Services that to its knowledge the information provided is correct and that there are no material facts which have been omitted.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the Non-Lion Directors and management of LWB for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Amendments made to this report as a result of this review have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

The information provided to Ernst & Young Transaction Advisory Services has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Scheme is in the best interest of LWB Shareholders. However, Ernst & Young Transaction Advisory Services does not warrant that its enquiries have identified all of the matters that an audit, an extensive examination or ‘due diligence’ and/or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of LWB. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles in Australia.

In forming our opinion we have also assumed that:

- ▶ matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ the information set out in the Notice of Meeting and Scheme Booklet to be sent by LWB to LWB Shareholders is complete, accurate and fairly presented in all material respects;
- ▶ the publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading; and
- ▶ the Scheme will be implemented in accordance with its terms.





To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading.

This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this independent expert's report.

This report has been prepared in accordance with APES 225: *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008.

# Annexure A – Independent Expert’s Report (continued)



## 3. Overview of LWB

### 3.1 Background

LWB commenced operations in Fremantle in November 2000. The founders of LWB set out to create a business that distinguished itself with world-class craft beers and a brand that aligned itself with an individual company culture. In a short time LWB established itself as a leading craft brewer with its beers winning a number of awards in Australia and internationally. The unique hospitality experience offered at its Fremantle site helped build the 'Little Creatures' brand in the Western Australia market, while the success of LWB's beer created brand awareness across Australia. By the time the Company listed on the ASX in November 2005 over 25% of its packaged beer sales were generated from outside of its traditional Western Australian market.

LWB's initial public offering ("IPO") raised \$21.5 million to assist in funding additional fermentation capacity at its existing Fremantle facility, repay borrowings, upgrade packaging and logistics infrastructure and construct a larger Western Australian based brewery. Lion, which was already a shareholder of LWB at the time of the IPO, took up \$10.25 million of the shares offered under the IPO.

Since listing LWB has maintained strong year-on-year growth in all areas with revenues increasing from \$15.806 in the year ended 30 June 2005, the financial year before the IPO, to \$85.785 million for the year ended 30 June 2012. Across the same period earnings before interest, tax, depreciation and amortisation ("EBITDA") increased from \$3.869 million to \$20.189 million, with net profit after tax ("NPAT") increasing from \$2.385 million to \$11.651 million.

With essentially the same management team in place, LWB's commitment to its product and to its culture remains key to the Company's ongoing success.

Some of the more major initiatives undertaken by LWB since the IPO (in chronological order) are summarised as follows:

- ▶ the development of the dedicated logistics and distribution centre in O'Connor, which is located near Fremantle;
- ▶ securing the leasehold over the property adjacent to its existing property within the Fremantle Fishing Boat Harbour, which enabled expansion of LWB's brewery and hospitality facilities;
- ▶ securing the exclusive rights to distribute Aspath Cyder in Australia;
- ▶ the introduction of its own 'Pipsqueak' brand of cider;
- ▶ the redevelopment of the cellar door and hospitality facilities at Fremantle and the opening of the Creatures Loft;
- ▶ the opening of the Little Creatures Dining Hall in Fitzroy, Melbourne;
- ▶ the construction and commissioning of the new Little Creatures brewery at Fremantle, increasing production capacity and efficiencies;
- ▶ the development and expansion of its own National Sales Team with LWB's unique culture to focus on expansion into the Eastern States rather than placing reliance on third party agents and distributors;
- ▶ the acquisition of a 20% interest in Byron Bay based craft brewery, Stone & Wood;
- ▶ the construction and commissioning of the White Rabbit brewery in Healesville and the opening of the cellar door;
- ▶ successful launch of the pint product range in Pale Ale, Bright Ale and Rogers product lines;
- ▶ the successful development of Single Batch releases to supplement LWB's principal Little Creatures and White Rabbit ranges; and
- ▶ the acquisition of the historic Valley Mill site in Geelong, a 40,000m<sup>2</sup> property that is to be redeveloped to house a new brewery, packaging and logistics centre.

LWB's medium term growth strategy of increasing market share in the Eastern States by increasing brewing capacity and the Company's distribution and sales capabilities, initiatives that will be supported by the development of the Geelong site. Having been acquired for approximately \$6.8 million the development of Geelong brewery (including the acquisition cost) is expected to cost approximately \$60 million. The Geelong brewery is anticipated to be in operation in the second half of the year ending 30 June 2013 and will more than double LWB's production capacity. LWB Management is expecting that through the transition of greater volumes produced in Geelong, the Company will be able to realise savings through reduced input supply costs as well as outbound logistics efficiency from being located closer to LWB's East Coast customer base.

LWB has a product range that includes full strength beer, mid strength beer and cider. The products include Little Creatures Pale Ale, Little Creatures Original Pilsner, Little Creatures Bright Ale, Rogers Beer, White Rabbit White Ale and White Rabbit Dark Ale. LWB also produces Pipsqueak cider and distributes Aspull Cyder within Australia. In addition to its principal products, LWB also produces seasonal, Single Batch releases.

The table below summarises LWB's product range:

Little Creatures Pale Ale	Little Creatures Original Pilsner	Little Creatures Bright Ale	Little Creatures Rogers	Little Creatures Single Batch range
				
White Rabbit White Ale	White Rabbit Dark Ale	Pipsqueak Apple Cider	Pipsqueak Pear Cider	Aspull Cyder distribution
				

# Annexure A - Independent Expert's Report (continued)

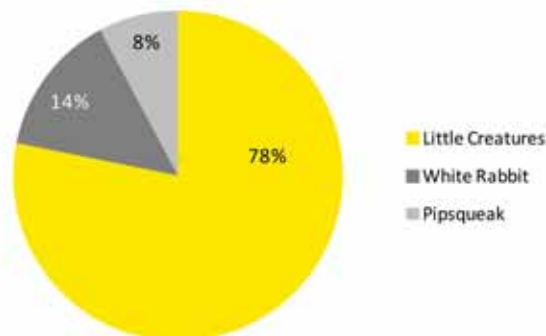


LWB's products are sold as kegs or in packs in its proprietary venues, through wholesalers to retailers or directly to retailers.

The chart below illustrates the location of LWB's hospitality venues and breweries, including the site at Geelong which has recently commenced construction.



Little Creatures Pale Ale is LWB's strongest performing beer, with Rogers, Bright and Pilsner, White Rabbit and Pipsqueak all contributing to LWB's increasing sales volumes. The split of LWB's brands as a percentage of total volume sold in the year ended 30 June 2012 is illustrated below:



## 3.2 Financial information

### 3.2.1 LWB's financial performance

A summary of LWB's financial performance for the fiscal years ended 30 June 2009, 2010 and 2011 and 2012 ("FY09", "FY10", "FY11" and "FY12"). The amounts have been extracted from LWB's audited financial statements.

<b>LWB - Financial Performance</b>				
<b>AS000s</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
<b>Continuing operations</b>				
Revenue	47,748	56,433	70,020	85,785
Raw materials and consumables	(9,133)	(10,511)	(12,455)	(14,346)
Selling and distribution costs	(3,205)	(4,765)	(6,578)	(7,571)
Employee expenses	(12,369)	(13,547)	(15,609)	(18,222)
Bad & doubtful debts	29	(13)	-	(19)
Excise tax	(6,678)	(8,440)	(11,159)	(14,643)
Occupancy costs	(2,141)	(2,397)	(2,729)	(3,190)
Consumables, repairs & replacements	(991)	(1,217)	(1,294)	(1,556)
Loss on sale of assets	(33)	(51)	(45)	-
Other expenses	(3,211)	(2,644)	(3,597)	(6,049)
<b>EBITDA*</b>	<b>10,016</b>	<b>12,848</b>	<b>16,554</b>	<b>20,189</b>
Depreciation & amortisation expense	(2,019)	(2,340)	(2,562)	(2,846)
<b>EBIT**</b>	<b>7,998</b>	<b>10,508</b>	<b>13,992</b>	<b>17,343</b>
Net finance income	(1,083)	(1,154)	(785)	(724)
<b>Net profit before income tax</b>	<b>6,915</b>	<b>9,354</b>	<b>13,207</b>	<b>16,619</b>
Income tax expense	(2,382)	(2,563)	(3,997)	(4,968)
<b>Net profit after income tax</b>	<b>4,533</b>	<b>6,791</b>	<b>9,210</b>	<b>11,651</b>

\* - Earnings before interest, tax, depreciation and amortisation

\*\* - Earnings before interest and tax

Source: LWB's audited financial statements

The significant growth reflected in the financial performance of LWB over the period to 30 June 2012 is illustrated by the key performance indicators detailed in the table below.

<b>LWB - Key performance indicators</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
Revenue growth	40.0%	18.2%	24.1%	22.5%
EBITDA growth	61.5%	28.3%	28.8%	22.0%
EBITDA margin	21.0%	22.8%	23.6%	23.5%
Revenue 3 year CAGR*	32.5%	28.1%	27.1%	21.6%
EBITDA 3 year CAGR	32.8%	34.0%	38.7%	26.3%
NPAT 3 year CAGR	20.9%	30.2%	39.2%	19.7%

\* - Compound annual growth rate

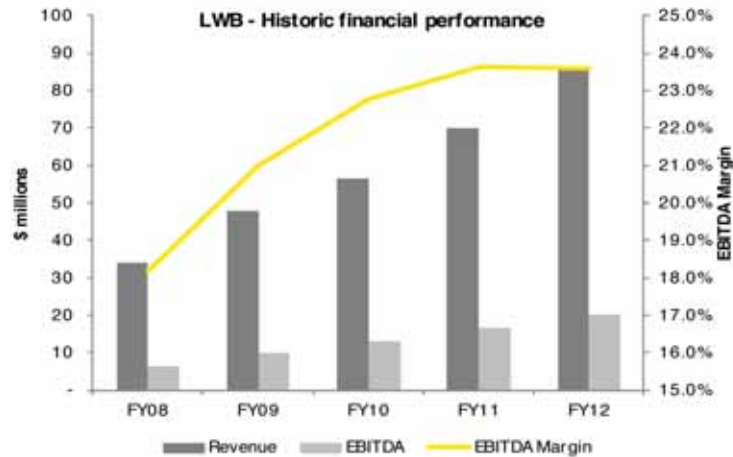
Source: EY analysis

The table shows that LWB has been able to increase revenue while also being able to increase or maintain its EBITDA margin.

# Annexure A - Independent Expert's Report (continued)



LWB's financial performance for the previous five years is illustrated in the following chart:



Source: LWB's audited financial statements, EY analysis

The consistent year-on-year growth achieved by LWB reflects the increased demand for the Company's products across new and existing markets, brought about by the continued development of the LWB brand, expansion of its distribution network and the evolution of LWB's ongoing strategy. In addition to the periodic introduction of new products, some of the key initiatives underpinning the Company's trading performance over the above period are summarised in Section 3.1.

With the establishment of the White Rabbit brewery and the Dining Hall and by increasing the Company's National Sales Team, LWB has been successful in increasing product sales in the Eastern States.

### 3.2.2 LWB's financial position

A summary of LWB's financial position as at 30 June 2009, 2010, 2011 and 2012 ("30Jun09", "30Jun10" "30Jun11" and "30Jun12") is presented in the table below. The amounts have been extracted from LWB's audited financial statements.

<b>LWB - Financial Position</b>	<b>30Jun09</b>	<b>30Jun10</b>	<b>30Jun11</b>	<b>30Jun12</b>
<b>A\$000s</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,277	670	520	3,717
Trade and other receivables	3,687	4,445	6,093	8,279
Inventories	1,973	2,483	2,270	3,916
Other	160	510	704	963
	<b>7,098</b>	<b>8,108</b>	<b>9,587</b>	<b>16,875</b>
<b>Non-current assets</b>				
Other financial assets	310	385	385	385
Property, plant and equipment	45,516	44,601	52,472	78,083
Intangible assets	1,165	1,165	1,165	1,165
Other non-current assets	-	-	644	-
Derivative financial instruments	-	-	-	561
Deferred tax assets	191	597	749	-
	<b>47,182</b>	<b>46,748</b>	<b>55,415</b>	<b>80,194</b>
<b>Total assets</b>	<b>54,280</b>	<b>54,856</b>	<b>65,002</b>	<b>97,069</b>
<b>Current liabilities</b>				
Trade and other payables	4,111	3,610	4,659	9,462
Provisions	398	507	750	897
Current tax liabilities	902	1,280	1,529	611
Loans and borrowings	-	-	16,000	-
	<b>5,410</b>	<b>5,397</b>	<b>22,938</b>	<b>10,970</b>
<b>Non-current liabilities</b>				
Payables	118	-	-	-
Deferred tax liability	-	-	-	233
Loans and borrowings	18,500	16,000	-	33,000
	<b>18,618</b>	<b>16,000</b>	<b>-</b>	<b>33,233</b>
<b>Total liabilities</b>	<b>24,029</b>	<b>21,397</b>	<b>22,938</b>	<b>44,203</b>
<b>Net assets</b>	<b>30,251</b>	<b>33,459</b>	<b>42,064</b>	<b>52,866</b>

Source: LWB's audited financial statements and management accounts

We make the following comments in relation to the above:

- ▶ Trade and other receivables have increased in line with an increase to the Company's sales;
- ▶ Other assets relate to prepayments and a receivable owed to LWB by the West Australian Department of Transportation for part of the cost of the pedestrian boardwalk the Company constructed at the Fremantle Fishing Boat Harbour;
- ▶ Other financial assets represent the investment LWB has in Stone & Wood and an investment in a co-operative group which acts as a wholesaler for LWB's product.
- ▶ The increase in Property, plant and equipment to 30Jun11 reflected the acquisition of the Geelong property, while the increase to 30Jun12 reflects the work commenced at the Geelong site. The Company also incurred approximately \$1.5 million on capital expansion works being undertaken at the Fremantle and White Rabbit breweries;

# Annexure A - Independent Expert's Report (continued)



- ▶ Intangible assets are primarily comprised of goodwill recognised in 2007 when LWB acquired the assets of the business previously known as the 'Harbourside Hotel', located adjacent to the existing brewery site in Mews Road, Fremantle; and
- ▶ In September 2011 the Company executed a new facility agreement with the Commonwealth Bank of Australia ("CBA") for the provision of debt funding of up to \$51 million over the next three years. As at 30 Jun12, LWB had drawn down further amounts totalling \$17 million under the facility to partially fund the development works undertaken at Geelong.

All expansion undertaken by LWB since listing in November 2005 has been funded by the capital raised through the IPO, bank debt, the conversion of options and from the cash generated from operations. Other than the IPO and cash generated through the exercise of options, the Company has not raised any capital through equity markets. The only shares that have been issued post the IPO have been on the exercise of options and the vesting of achievement rights.

### 3.3 LWB's capital structure

At the date of this report LWB had the following securities on issue:

- ▶ 68,241,176 fully paid ordinary shares; and
- ▶ 146,479 Achievement Rights held by LWB executives and staff.

With respect to the outstanding Achievement Rights, in accordance with the rules of the plan under which they were issued, if the Scheme becomes effective they will vest and become eligible to participate in the Scheme. Further details of the Achievement Rights can be found in the Scheme Booklet.

On a fully diluted basis the number of shares totals 68,387,655.

As at 22 June 2012, the top 10 shareholders (on a beneficial interest basis) held 80.1% of the shares on issue. The 10 largest shareholders of LWB at that date are summarised in the following table. At that date, LWB had approximately 1,400 shareholders.

**LWB - Shareholder profile as at 22 June 2012**

	No. of shares	%
1 AGI	23,650,123	34.7%
2 Adrian Fini (Non-executive Director)	10,477,621	15.4%
3 Howard Cearns (Non-executive Director)	4,065,000	6.0%
4 David Martin (Non-executive Director)	4,002,951	5.9%
5 Nicola Trimboli (Non-executive Director)	3,893,500	5.7%
6 Acorn Capital	2,941,463	4.3%
7 Tribeca Investment Partners	2,361,926	3.5%
8 Private clients of UBS Wealth Mgt Australia	1,685,426	2.5%
9 Tim Lyons	790,928	1.2%
10 Robert Devereux	767,889	1.1%
<b>Top 10 shareholders</b>	<b>54,636,827</b>	<b>80.1%</b>
<b>Other LWB shareholders</b>	<b>13,604,349</b>	<b>19.9%</b>
<b>Total shares on issue as at 22 June 2012</b>	<b>68,241,176</b>	<b>100.0%</b>

Source: LWB Management



### 3.4 LWB's share price performance

The following table summarises the monthly trading prices of LWB shares on the ASX over the period 1 June 2011 and 14 June 2012, the last day shares were traded prior to the announcement of the Scheme on 18 June 2102.

Period	High	Low	Close	VWAP*	Monthly Volume	Liquidity**
	A\$	A\$	A\$	A\$	000's	%
June 2011	3.80	3.52	3.52	3.22	145.0	0.8%
July 2011	3.80	3.50	3.80	3.51	332.1	1.8%
August 2011	3.90	3.15	3.65	3.57	186.6	1.0%
September 2011	3.65	3.39	3.50	3.51	56.7	0.3%
October 2011	3.59	3.35	3.42	3.30	124.2	0.7%
November 2011	3.60	3.30	3.30	3.46	106.9	0.6%
December 2011	3.30	3.05	3.20	3.18	58.6	0.3%
January 2012	3.75	3.10	3.74	3.30	399.8	2.1%
February 2012	3.75	3.50	3.55	3.64	136.8	0.7%
March 2012	3.75	3.52	3.74	3.58	360.8	1.9%
April 2012	3.70	3.55	3.70	3.65	157.8	0.8%
May 2012	3.75	3.60	3.65	3.64	488.5	2.6%
To 14 June 2012	3.81	3.70	3.79	3.78	74.0	0.4%

\* - Volume weighted average price

\*\* - Liquidity is calculated excluding the shares held by AGI and those held by the Non-Lion Directors

Source: Capital IQ, EY analysis

The chart below shows the daily share price and trading volumes for LWB between 1 June 2011 and 14 June 2012. The trading price is based on the daily closing price.



Source: Capital IQ

## Annexure A - Independent Expert's Report (continued)



The table and chart show that over the period considered, LWB's share price traded from a high of \$3.90 in August 2011, after which it trended downwards across the period to December 2011 to a low of \$3.05. From January 2012, LWB's share price has traded up from a low of \$3.10 in January to a high of \$3.81 in June 2012, before closing at \$3.79 on 14 June 2012.

Given the 'fixed' nature of the shareholdings in LWB held by AGI (23,650,123) and by the Non-Lion Directors (collectively totalling 22,648,672), in calculating the monthly liquidity we have excluded these shares from the analysis. Regardless of this, liquidity in LWB shares over the period was low. The highest levels of liquidity were recorded in the months of July 2011, January 2012, March 2012 and May 2012.

In addition to the regular quarterly, interim and annual reporting announcements, the material announcements made by LWB across the above period that may have had an impact on the Company's share price are summarised below:

- ▶ 12 May 2011 - Ross Sudano was appointed CEO of LWB after serving as the Company's Chief Operating Officer for the previous two years;
- ▶ 19 August 2011 - The Board resolved to proceed with the development of a brewery at its Valley Mills site in Geelong at an estimated total project cost of \$60 million. In addition, the Company announced Kylie Webster was appointed to the Board. Kylie had worked with the Company since its inception in the roles of CFO and Company Secretary;
- ▶ 5 September 2011 - Little Creatures entered into a new facility agreement with the CBA to provide debt funding of up to \$51 million over the next three years. The new facility refinanced the existing facility as well as providing additional funds for the development of the Geelong property and the construction of the new brewery;
- ▶ 21 December 2011 - The Company made a profit announcement, stating that first half NPAT for the six months to 31Dec11 were expected to be between 13% and 24% greater than for the prior corresponding period, driven by increasing consumer demand and continued interest in Little Creatures, White Rabbit and Pipsqueak products as well as strong support from new and existing customers; and
- ▶ 22 February 2012 - Actual results for six months to 31Dec11 on a NPAT basis were 32% up on the same period in the previous year, with revenue being 22% higher and EBITDA being 27% higher.

## 4. Overview of Lion

Lion is a major beverage and food company that is headquartered in Sydney with operations throughout Australia, as well as in New Zealand, Singapore, Malaysia and Indonesia. Lion produces and distributes a variety of household-name brands in beverages and food products including beer, wine, spirits, milk, dairy products, juices and soy milk. Lion is a wholly owned subsidiary of Kirin, a leading food and beverage company based in Japan.

Lion is the largest brewer in Australia with an estimated market share by volume of approximately 47.5% and a diverse portfolio of local beer brands as well as the licence rights to a range of international premium brands across the Tasman. Lion currently employs close to 7,500 people within Australia and New Zealand.

The Lion Group was formed in October 2009 after Kirin acquired the shares in Lion Nathan Ltd ("Lion Nathan") that it did not already own and merged Lion Nathan with Kirin's already wholly owned company, National Foods Limited ("National Foods"). The combined Lion Nathan and National Foods group of companies traded under the name of Lion Nathan National Foods Pty Limited, changing its name to 'Lion Pty Ltd' in 2011.

Lion has been able to deliver value growth and increase its market share through sustained investment in its people and core brands, securing strong volume growth in premium and mid-strength beers, launching a range of low-carbohydrate beers, achieving double digit volume growth for its craft beer brands and establishing strong growth in its cider brands.

In the Australian market Lion has also continued to capitalise on the market trend towards premium beers through strategic acquisitions, including James Boag's in 2007 and by securing the licence rights for premium international brands, including its longstanding joint venture with Heineken N.V. ("Heineken Lion Australia Pty Limited"), distribution rights to AB InBev's, Beck's and Budweiser's range and of Kirin.

More recently, Lion has benefited from the transfer of international distribution rights following SABMiller's acquisition of Foster's Group Limited ("Foster's") including Grupo Modelo's Corona Extra, AB InBev's Stella Artois and specialty Belgian beers, Leffe, Hoegaarden and Belle-Vue Kriek distribution. In June, Lion also announced that it had reached an agreement with Diageo to add Guinness and Kilkenny to its portfolio of Australian brands from November 2012.

The main beer, spirit and wine brands associated with Lion are summarised below:

- ▶ Australian beer: XXXX, Tooheys, Hahn, James Boag's, West End Draught, James Squire, Swan and Emu;
- ▶ New Zealand beer: Steinlager, Speight's, Mac's, Lion Red, Waikato Draught and Canterbury Draught;
- ▶ International beer: Heineken, Amstel, Birra Moretti, Kirin, Beck's, Corona Extra, Budweiser, Stella Artois, Guinness, Kilkenny, Leffe, Hoegaarden and Belle-Vue Kriek;
- ▶ Spirits (Bacardi Lion JV in Australia): Bacardi, McKenna Bourbon, Grey Goose and Dewar's;
- ▶ Spirits (NZ): Smirnoff, Coruba, Bombay Sapphire, Johnnie Walker, Baileys, McKenna, Christie's, Archers Aqua, Gordon's G&T and Smirnoff Ice; and
- ▶ Wine (Global): Argyle, Bridgewater Mill, Croser, Knappstein, MacRostie, Petaluma, Preece, Smithbrook, St Hallett, Stonier, Tatachilla, Two Tracks and Wither Hills.

Within its Dairy & Drinks division Lion's product portfolio includes a number of market leading brands across the milk, juice, cheese, dairy products and soy milk categories. Some of the dairy and drinks brands associated with Lion include:

- ▶ Milk: PURA, Dairy Farmers, Farmers Union, Dare, Big M, Moove and Masters M;
- ▶ Dairy products: Yoplait, Fruche, Dairy Farmers, Thick and Creamy, YoGo and Divine Classic;
- ▶ Juice: Berri, Daily Juice, Just Juice and Australian Grown;
- ▶ Cheese: COON, King Island Dairy, Tasmanian Heritage and Mersey Valley; and

## Annexure A - Independent Expert's Report (continued)



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► Soy beverages: Vitasoy.

Kirin, as Lion's parent company, is a Japan-based holding company listed on the Stock Exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo. Kirin is one of the leading food and beverage manufacturers in Asia Pacific, Brazil and other parts of the world. Kirin, through its various group companies, operates in an extensive range of businesses from alcoholic beverages and soft drinks to dairy foods, health foods and pharmaceuticals. As at 31 December 2011, the group had net sales of more than US\$20 billion, operating profit exceeding US\$1.8 billion and more than 40,000 employees. Kirin's market capitalisation as at 30 June 2012 was approximately US\$11 billion.

## 5. Industry and economic overview

### 5.1 Industry overview

While LWB is a relatively small brewing company with operations in Australia, to gain an understanding of sector trends and the operational environment we have considered the global and Australian brewing industry, including the craft brewing and cider markets. LWB operates within the Australian craft brewing industry.

#### 5.1.1 Overview of the global beer industry

Globally, breweries produce an estimated 180 billion litres of beer annually, with the largest international breweries being Anheuser-Busch InBev (Belgium), SABMiller (United Kingdom) and Heineken (Netherlands)<sup>1</sup>. The largest beer producing countries are China, the United States and Russia.

There are a number of challenges facing the global brewery industry, including the dominance of larger market participants, consumer choices and increasing costs. For small breweries, getting access to distribution networks can be difficult as the large breweries often form exclusive agreements with distributors and monopolise sales networks. Greater consumer choice with respect to alcoholic beverages and an increased awareness of the negative health effects of high alcohol consumption have contributed towards decreased beer sales. High excise taxes, government restrictions and volatile raw material costs have caused a general increase in beer prices.

Demand for beer is dependent on trends in liquor retailing, hotel and bar sales, cultural and attitude changes in the consumer and discretionary income. Sales to liquor retailers and hotels and bars are largely dependent on the end customer's decision to consume alcohol at home or at hotels and bars. Cultural and attitude changes towards alcohol can impact beer sales both positively and negatively as preferences shift towards lower strength beers and to other products. Rising disposable incomes generally allow consumers to purchase more beer and can also shift their preference from mainstream beer to premium or craft beers.

Demand for beer in mature economies such as North America and Western Europe is expected to achieve only moderate growth in the short to medium term, however the emerging markets of China and India could increase worldwide beer consumption by 3% per year<sup>2</sup>. China's beer consumption is expected to reach double the size of the United States market by volume by 2015 and India is recognised as an emerging market given its population consumes approximately one litre of beer per person per year in comparison to 80 litres per person in the United States<sup>3</sup>.

#### 5.1.2 Australian beer industry

##### 5.1.2.1 Overview of the Australian beer industry

Over the past decade beer consumption has been declining in Australia, both in terms of absolute volume and the alcohol content consumed in beer. As outlined in the graph below, beer consumption per capita has decreased from 141.7 litres in 1991 to 98.1 litres in 2011, with negative growth in most years<sup>4</sup>. It is understood that a number of factors have contributed towards negative growth, including improved health awareness, increased taxation, social attitudes, the introduction of random breath testing for drivers and increased competition from wine, cider and ready to drink spirits.

<sup>1</sup> First Research Breweries, 30 January 2012

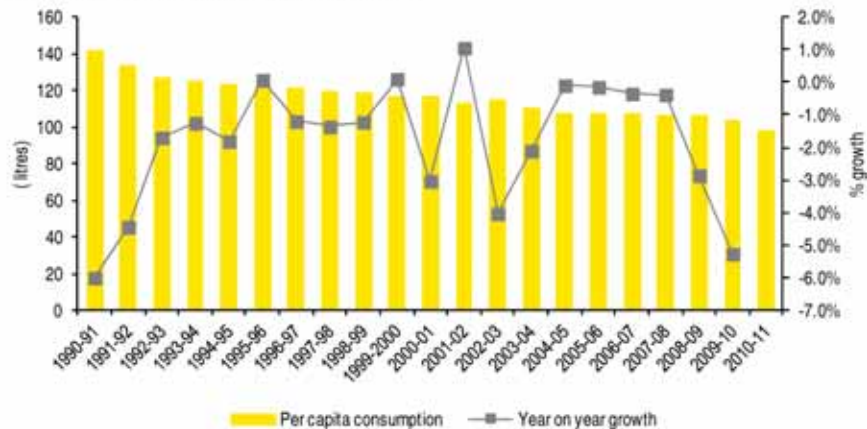
<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> Australian Bureau of Statistics, 3 May 2012

# Annexure A - Independent Expert's Report (continued)

**Per capita beer consumption in Australia**



Source: Australian Bureau of Statistics, 3 May 2012

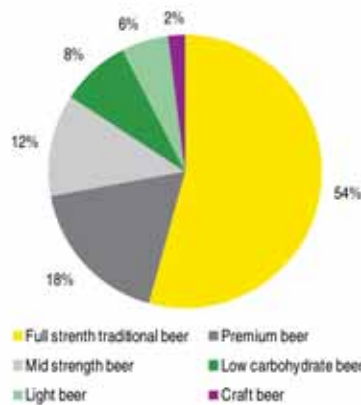
Growth in the industry is expected to slow in 2012 due to weak consumer confidence and increasing pressure on margins. Conditions are expected to improve in 2013 with sales volumes and revenue growth forecast to increase by 1.8% and revenue forecast to increase by 2.1% per year in the five years leading up to 2017<sup>5</sup>. The positive outlook is a result of an expected stronger consumer environment and increased demand for premium beers. Although the European debt crisis is expected to weaken the global economy across the short term, the domestic economy is expected to grow due to the impact of continued demand for minerals and resources. With the mining sector increasing employment levels, consumers will have greater disposable income available for beer consumption and more specifically, premium beer or craft beer consumption.

Premium beer sales are expected to grow based on recent performance and improving economic conditions. Over the past five years premium beer sales have accounted for 17.8% of industry revenue and the sector has experienced annual growth of 10%<sup>6</sup>. Higher disposable income enables the consumer to search for variety and quality in beer. Growth in this sector has also come from local brewers forming agreements with overseas brands to produce and distribute their product in Australia. Corona is the leading brand in the premium beer sector in Australia. Corona's owner, Grupo Modelo which is 50% owned by AB-InBev, recently transferred the distribution rights for Corona from Foster's to Lion in response to Foster's acquisition by SABMiller.

<sup>5</sup> IBISWorld Beer and Malt Manufacturing in Australia, May 2012  
<sup>6</sup> Ibid

The chart below outlines the proportion of the various types of beer sold in Australia by revenue.

**Beer market segmentation in Australia**



Source: IBISWorld Beer and Malt Manufacturing in Australia, May 2012.

In terms of product market share in Australia, full strength beer remains the largest sector with 54.3% of industry revenue<sup>7</sup>. Some of the brands within this sector include VB (Foster's), Carlton Draught (Foster's), Melbourne Bitter (Foster's), XXXX (Lion), Tooheys (Lion), Swan Lager (Lion), Emu Bitter (Lion), Boag's Draught (Lion), Cascade Draught (Foster's) and Coopers Pale Ale (Coopers). While this sector has the largest market share it has been steadily declining over recent years as the demand for premium, low carbohydrate and craft beers increased. Demand for mid strength beer continues to grow, achieving annual growth in sales of 10% over the past five years<sup>8</sup>. The highest selling beer in the mid strength segment is XXXX Gold (Lion), with a total beer market volume share of 12.4% and a mid strength segment share of 66.8%<sup>9</sup>.

Low carbohydrate beers generally contain one gram of carbohydrates per 100 millilitres, as opposed to between 2.5 and 4.0 grams per 100 millilitres for average beer. Increased health promotion and public health awareness has contributed to increased sales in this segment. Some brands included in this category are Classic Blonde, Hahn Extra Dry, Platinum Blonde and Maxx Blonde, with Foster's Pure Blonde accounting for over half of sales in this segment.

The retailing of beer is dominated by the large grocery chains in Coles and Woolworths, and their associated brands.

#### 5.1.2.2 Major market participants

The Australian beer manufacturing industry is dominated by two major participants Foster's (owned by SABMiller) and Lion. These two brewers account for approximately 92% of market share. Foster's core beer brands include VB, Carlton Draught, Crown Lager, Pure Blonde and Cascade. Foster's also owns the Matilda Brewery, which participates in the craft beer market, producing beers such as Fat Yak, Big Helga, Beez Neez, Redback, Alpha Pale Ale and Bohemian Pilsner. It also produces and distributes a number of SABMiller's premium international beers.

<sup>7</sup> Ibid

<sup>8</sup> Ibid

<sup>9</sup> Per third party report accessed through LWB management

# Annexure A - Independent Expert's Report (continued)



Foster's performance has declined over the past three years, with its market share decreasing from 55.0% to 44.4% and its leading brand VB falling from almost 22.0% market share to 12.2%<sup>10</sup>. The decline is largely related to an increased demand for premium and craft beers, a market that Foster's has less exposure to. Foster's is looking to increase profits and market share by getting more exposure to craft and new style beers.

Lion has a 47.5% market share by volume<sup>11</sup>. Its major brands are detailed in Section 4. Lion manufactures approximately 1 billion litres of beer per year, and brews a number of international premium beers through licensing agreements. Recently, Lion has benefited from the transfer of international distribution rights from Foster's. Lion has increased its market share in recent years, to become Australia's leading brewer. Its investment in James Boag's and exposure to premium and craft beers, particularly the success of its craft trademark beer, James Squire, have been major contributors to this success.

The third largest participant in the Australian beer manufacturing industry is Coopers Brewery Limited ("Coopers"), a family owned brewer of beers based in Adelaide. Coopers market share is 3.9% and it produces ales and stouts, which are marketed and sold both domestically and internationally. Coopers is also Australia's largest producer of malt extract, which is used in many food products as well as beer brewing. Some of its well known beer brands include Coopers Pale Ale, Coopers Sparkling Ale, Coopers Clear and Coopers 62. Coopers has been experiencing significant sales growth during the decline of the wider beer market, largely due to the strong performance of its premium beers. In July 2011 Coopers signed a deal to make and distribute Japanese beer Sapporo throughout Australia, New Zealand and the Pacific Islands. In addition, in 2012 Coopers also obtained the right to brew and distribute international premium beer, Carlsberg.

### 5.1.2.3 Recent transactions

The Australian beer brewing industry has experienced significant consolidation and foreign investment over recent years following a number of acquisitions.

In September 2011 Australia's largest brewer Foster's was acquired by SABMiller, a worldwide brewing company based in the United Kingdom. SABMiller purchased Foster's for approximately A\$11 billion following months of market speculation after Foster's made the decision to separate its beer and wine segments. Expectations are for SABMiller to make a significant investment in promoting Foster's brands following a loss of market share in recent years. Given that SABMiller is a worldwide company it will also use Foster's brewing and distribution network to promote its international premium brands in Australia, including Miller, Peroni, Grolsch and Pilsner Urquell.

In 2009, Kirin, a Japanese based food and beverage company, acquired the shares it did not already own in Lion Nathan, valuing the company at approximately \$6.5 billion.

During 2005 Lion Nathan made a takeover bid for Coopers, initially offering shareholders \$260 cash per Coopers share. The offer was revised in late November 2005, offering shareholders \$310 cash per Coopers share, equating to a \$420 million cash offer. Shareholders rejected the offer.

Other transactions that have taken place in the Australian beer brewing market include Graincorp's acquisition of Barrett Burston in 2009, Woolworths' investment in a 25% interest in Gage Roads Brewing Co. Ltd ("Gage Roads") in 2009 for \$1.9 million, and the acquisition of ILNZ Group Holdings by Japanese brewing company, Asahi, in September 2011 for approximately NZ\$1.5 billion.

## 5.1.3 Craft brewers

### 5.1.3.1 Overview of the craft brewing industry in the United States

The craft brewing sector is comprised of small, independent and traditional brewers, with this sector representing the fastest growing part of the beer brewing industry. The craft brewing industry can be separated into four segments: microbreweries, brewpubs, regional craft breweries and contract brewing companies, each of which are defined below:

- ▶ **Microbrewery:** A brewery that produces less than 15,000 barrels of beer per year with 75% or more of its beer being sold off-site. These companies sell to the public by either cellar door or restaurant sales, through a wholesaler and retailer system, or directly to the retailer;

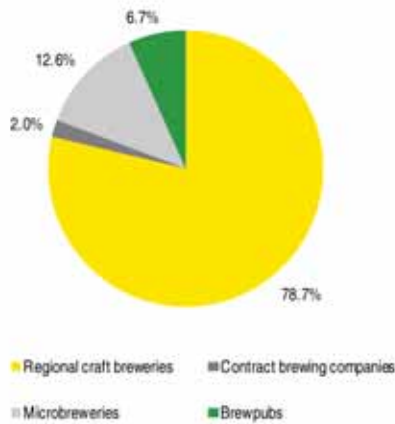
<sup>10</sup> Per third party report accessed through LWB management

<sup>11</sup> Per third party report accessed through LWB management



- ▶ **Brewpub:** A restaurant brewery that sells 25% or more of its beer on-site. These sales occur through an on-site restaurant or an on-site bar and the beer is often sourced directly from the brewery storage tank;
- ▶ **Regional craft breweries:** These breweries are independent brewers with annual beer production of between 15,000 and 6 million barrels. They operate either an all malt flagship or have at least 50% of their sales volumes in either all malt beers or in beers which use adjuncts to enhance flavour; and
- ▶ **Contract brewing companies:** These include businesses that market, sell and distribute craft beers, however, they hire other brewers to produce the beer.

During 2011 craft brewers in the United States produced approximately 11.5 million barrels of beer. The split between the four segments is outlined in the graph below.



Source: Brewers Association website

# Annexure A - Independent Expert's Report (continued)



According to the Brewers Association, an organisation that represents craft brewers in the United States, the growth of the craft brewing industry in 2011 was 13% by volume and 15% by dollars, which was on the back of significant growth in 2010. The Brewers Association also states that the craft brewing sales share in the United States was 5.7% by volume and 9.1% by dollars in 2011. The growth of the craft brewing industry in the United States has been achieved despite overall declining trend in beers sales. As at 26 March 2012, the Brewers Association was aware of 250 craft breweries opening in the United States in 2011, and during 2011 of the 1,989 breweries operating in the United States, all but 50 of these were craft breweries<sup>12</sup>.

The success of the craft beer market is a result of a number of factors, including an increasing consumer preference to choose quality over price, the perception that craft beers are a healthier option in comparison to mainstream beers and the new market that can be targeted by the varied and authentic flavour profiles of craft beer<sup>13</sup>. The younger target market of the craft beer sector is typically more open to purchasing quality beers and trading up compared to the older target market that traditionally purchase mainstream beers.

Craft beer sales in the United States are expected to achieve a 10% volume share in the beer industry by 2017. However, in order to achieve this, craft brewers will need to overcome challenges associated with distribution and increased competition within the sector and from craft beers developed and sold by the large brewers. Technically these beers are not craft beers; however, in light of the success within the craft beer market large brewers are now developing new beer brands and labels and marketing these as craft beers.

#### 5.1.3.2 Overview of the craft brewing industry in Australia

According to Davy Research, the Australian beer market has seen a similar trend to the United States in that consumers are increasingly choosing craft beers or imported premium beers over mainstream beers. In Australia craft beers account for approximately 2% of sales, with the microbrewers and craft brewers producing approximately 150,000 litres of beer per year per brewer<sup>14</sup>. Within Australia there are over 140 craft brewers, including LWB, with market participants and sales expected to grow in coming years. Over the past year while domestic premium beers have experienced double digit decline, premium imports and craft beer sales have grown at almost the same rate<sup>15</sup>. While these statistics demonstrate that the Australian craft beer industry is a growing and emerging sector, it is also evident that the Australian craft beer market is less advanced in comparison to the craft beer sector in the United States. In the event that the Australian craft beer market continues to follow trends experienced in the United States, one would expect the growth in the Australian craft beer sector to continue.

#### 5.1.4 Cider industry

The cider brewing industry has experienced strong growth in recent years, representing \$9.8 billion in global spending in 2011 with sales forecast to grow in excess of 20% from 2011 to 2015<sup>16</sup>. The United Kingdom is by far the largest purchaser of cider globally, with consumers spending approximately US\$5.5 billion on cider during 2011. This is followed by Ireland with US\$631 million and Spain with US\$543 million. The top 10 markets for cider in 2011 are outlined in the graph below.

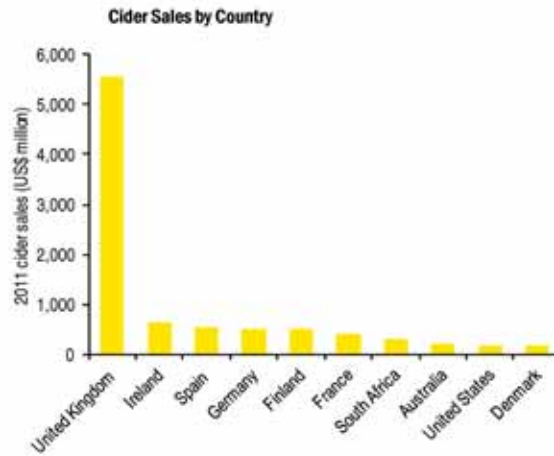
<sup>12</sup> Ibid

<sup>13</sup> Marketline Craft Beers in the US and UK Case Study, January 2011

<sup>14</sup> IBISWorld Beer and Malt Manufacturing in Australia, May 2012

<sup>15</sup> Davy Research Food and Beverages, 9 May 2012

<sup>16</sup> Datamonitor Consumer and Innovation Trends in Cider, 2012



Source: Datamonitor Consumer and Innovation Trends in Cider, 2012

According to Datamonitor, 155 new cider products were released to the market during 2011, which is almost triple in comparison to 2007. The majority of new product launches originate from Europe (almost 86% from 2007 to 2011), which corresponds to the locality of consumer demand, with the United Kingdom being the highest cider consumers per capita.

Brewers have become increasingly aware of the growing sales trend in the cider industry as beers sales continue to decrease year on year globally. Brewing and selling cider also gives brewers greater access to female customers. Cider can also be marketed as a healthier alcohol option, due to the natural aspects of cider production, its association with fruit and can be advertised as a naturally gluten free beverage.

# Annexure A – Independent Expert’s Report (continued)



## 6. Valuation methodology and approach

### 6.1 Definition of fair value

In forming our opinion as to whether or not the Scheme is in the best interests of LWB Shareholders, we have assessed the fair value of LWB in order to compare that amount on a per share basis with the Scheme Consideration being offered by AGI. Fair value is generally defined as:

*“the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”*

Our assessment of the fair value of LWB has been completed on a basis consistent with this definition. As AGI is seeking to acquire all of the remaining shares in LWB that it does not currently own, in assessing the fair value of LWB we have assumed 100% ownership, which implicitly includes a control premium.

The Scheme Consideration being offered by AGI is represented by a total cash payment of \$5.30 per LWB share. If a favourable ruling is received from the ATO with respect to the tax treatment of the Scheme, LWB Shareholders will receive \$5.10 per share from AGI and be paid the Special Dividend of \$0.20. If a favourable ruling is not received then LWB Shareholders will receive \$5.30 from AGI.

On the basis that LWB Shareholders will receive \$5.30 whether a favourable tax ruling is received or not, in comparing the fair value of an LWB share with the Scheme Consideration, we have ignored the possible payment of the Special Dividend.

We do recognise that the payment of the Special Dividend that is fully franked may create an additional benefit to those LWB Shareholders who can make use of the franking credit. Since not all LWB Shareholders will be able to use the franking credits we have considered the possible benefit separately.

### 6.2 Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- ▶ Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- ▶ Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- ▶ Amount that would be available for distribution to security holders on an orderly realisation of assets;
- ▶ Quoted price for listed securities, where there is a liquid and active market and allowing for the fact that the quoted price may not reflect the value should 100% of the securities be available for sale;
- ▶ Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- ▶ Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each method is appropriate in certain circumstances. The decision as to which method to apply generally depends on the nature of the asset being valued, the method most commonly adopted in valuing such an asset and the availability of appropriate information.

The DCF method involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This method is particularly appropriate in valuing projects, businesses and companies that are in a start up phase and/or are expecting considerable volatility or growth in earnings, as well as businesses with a finite life. The utilisation of the DCF method generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings method involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This method is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing method involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value may, if appropriate, include a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value. This method is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets. This method is also appropriate for companies that are holding assets that are not sufficiently advanced to enable the preparation of long term cash flow forecasts.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

### 6.3 Valuation methodology adopted

Given the nature of LWB's operations as a brewer and hospitality services provider with a history of earnings, we have assessed the fair value of LWB by aggregating the fair value of its operating business with the net realisable value of any surplus assets and deducting its net borrowings. In adopting this approach, a key component of the valuation is the assessment of the value of LWB's operating business, including its breweries and hospitality operations. Details of the methods adopted are summarised in the remainder of this section.

#### 6.3.1 Operating business

LWB's operating business, which includes its brewery operations as well as its hospitality venues, has a history of earnings that has, and continues to experience significant year-on-year growth. With the development of a new brewery, packaging and logistics centre at Geelong that will more than double the Company's production capacity and support LWB's continued expansion into East Coast markets, this growth is expected to continue for several years. On this basis, we have assessed the fair value of the Company's operations using the DCF method. The application of this method as the most appropriate by which to value LWB's operating business is supported by the following:

- ▶ The Company's budget for FY13 as well as the 10 year forecast to FY21 (inclusive of FY12 actuals) have been prepared and provided by LWB management;
- ▶ Due to the establishment of the Geelong brewery, significant capital expenditure is forecast to be incurred across the short term;
- ▶ LWB has experienced significant growth in recent years in terms of quantity of product sold and underlying profitability. The Company is forecast to grow significantly in the short to medium term. As such, a capitalisation of earnings method is not deemed appropriate as the primary method for valuing the Company's operating business as it does not necessarily capture the future earnings potential of LWB; and
- ▶ The DCF methodology enables us to better consider different scenarios in relation to growth of sales, margins and other operational assumptions.

Our DCF assessment is detailed in Section 7.1.1.

#### 6.3.2 Other assets and liabilities

The value of LWB's other assets and liabilities, including such balances as cash surplus to working capital requirements and interest bearing debt, were considered to be commensurate with their book values.

#### 6.3.3 Possible synergies

In assessing the value of LWB's operating business on a basis consistent with the definition of the fair value contained in Section 6.1 it is relevant to consider the synergies that may be available to a potential purchaser of the business on a 'willing seller, willing buyer' basis. With Lion, AGI's parent, being one of the two major brewing companies in Australia it

## Annexure A - Independent Expert's Report (continued)



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is likely that it may be able to derive some synergistic benefits through negotiation of better terms with suppliers of raw materials and with distributors of LWB's products, together with a reduction in administrative and overhead costs. In the Scheme Booklet, Lion states that it "does not believe it has a reasonable basis to speculate as to what the value of these synergies (if any) is likely to be".

To the extent that such synergies are not available to the wider group of potential purchasers of the LWB operating business then they should not be included in the valuation. The procurement and distribution synergies that may be available to Lion may not necessarily be available to other potential purchasers of the LWB operating business. Any reduction of administrative and overhead costs from a valuation perspective is not likely to be material. On this basis, in assessing the fair value of LWB's operating business we have not attempted to quantify the value of the synergistic benefits that are, or may be, available to the wider group of potential purchasers. Any additional value offered above our assessed fair value of LWB's operating business by AGI, may represent the premium that Lion is willing to pay to obtain the benefits that may not be available to others.

### 6.3.4 Valuation cross check

Prior to finalising our valuation of LWB's operating business using the DCF method, we considered the reasonableness of the valuation range by comparison with the trading and transaction multiples of companies with similar, but not necessarily the same, operations to LWB. The cross check is detailed in Section 7.1.2.

In Section 7.4 we have compared our valuation of a LWB share with the prices at which the Company's shares have recently traded at on the ASX.

## 7. Valuation of LWB

### 7.1 Valuation of LWB's operating business

#### 7.1.1 DCF valuation

In assessing a range of values for LWB's operating business, including the Company's current and future brewery operations and its hospitality venues, we have adopted a DCF approach as our primary methodology.

We note that for commercial confidentiality reasons LWB has never disclosed detailed budget or forecast data and has not done so in the Scheme Booklet. Information such as product volumes, gross margins and direct costs are considered to be commercially sensitive. In describing the assumptions upon which our DCF assessment is based we have maintained this confidentiality. In stating this, in undertaking the analysis LWB management have provided us with access to the information we requested, commercially confidential or otherwise.

In formulating our DCF analysis, we have had regard to LWB's FY13 budget in conjunction with the forecast to FY21 (the "LWB Model"). We note that we have not audited the LWB Model, however we have performed the following:

- ▶ Held discussions with LWB management regarding the preparation of the LWB Model and the assumptions underlying the results forecast; and
- ▶ Undertaken limited analytical procedures regarding the mathematical accuracy of the LWB Model.

In conjunction with the LWB Model prepared by LWB management, we have also considered the forecasts detailed within reports prepared by stockbroking firms that cover LWB.

In determining a net present value for the LWB operating business, we constructed a DCF model (the "DCF Model") based on nominal, ungeared post-tax cash flows, discounted those cash flows using a range of discount rates of 10.0% to 11.0% and applied a mid period discounting assumption.

To assess the impact of several of the key drivers of LWB's trading performance, we have assessed the fair value of the Company's operating business under various scenarios. The discussion below presents the key assumptions adopted in our valuation.

A detailed description of the discount rate determination is set out in Appendix B.

##### 7.1.1.1 Revenue

###### Brewery operations

LWB currently has operating breweries in Fremantle and Healesville. The Fremantle operations produce the Little Creatures product range and Pipsqueak cider, while the Healesville location is responsible for all production of the White Rabbit range together with some Pipsqueak cider. The new brewery at Geelong is expected to be in operation in the second half of FY13. Once that occurs, production of the Company's products will be split between the various locations to better service local demand. Product exported internationally will continue to be produced from the Fremantle location.

The product produced at the breweries service both the sales distribution to retailers and wholesalers as well as the proprietary operations of the Company.

###### Hospitality venues

Revenue from the hospitality venues relates to the sale of food, drinks (both alcoholic and non-alcoholic) and merchandise. The established hospitality venues include the Main Hall and Creatures Loft in Fremantle, the cellar door in Healesville and the Melbourne Dining Hall. The addition of the Geelong Brewhouse in late FY13 will add to the Company's venues.

# Annexure A – Independent Expert’s Report (continued)



## Assumptions

The LWB Model is based on management’s FY13 budget and forecast from FY14 to FY21. The LWB Model is underpinned by the assumptions that LWB management have made concerning forecast annual growth in litres sold by product. Annual growth for LWB products in the near to medium term is forecast to grow at levels similar to recent years, supported by the Company more than doubling its production capacity with the construction of the new brewery at Geelong. For the purposes of the DCF Model, due to the uncertainty in later years, we have assumed lower annual growth from FY17 onwards. With regards to the hospitality venues, the revenues from those establishments are forecast to grow at moderate rates ranging from 1.5% to 5.0%.

As the growth in LWB is predominately driven by growth in its product sales, we have adjusted the DCF Model to run various scenarios with respect to the annual growth in revenue. In assessing the adjustments to revenue growth we have considered the following:

- ▶ LWB’s annual revenue growth for the past four fiscal years has ranged from 18.2% (FY10) to 40.0% (FY09), with revenue growth in FY12 of 22.5%.
- ▶ With the Geelong brewery expected to be in operation from late FY13, the majority of the growth forecast by LWB is into East Coast markets.
- ▶ Analyst forecast data as shown in the following table:

Forecast Revenue growth	FY12E	FY13F	FY14F
Broker A	21%	13%	13%
Broker B	22%	18%	na
Broker C	24%	17%	na

*Source: Analyst reports*

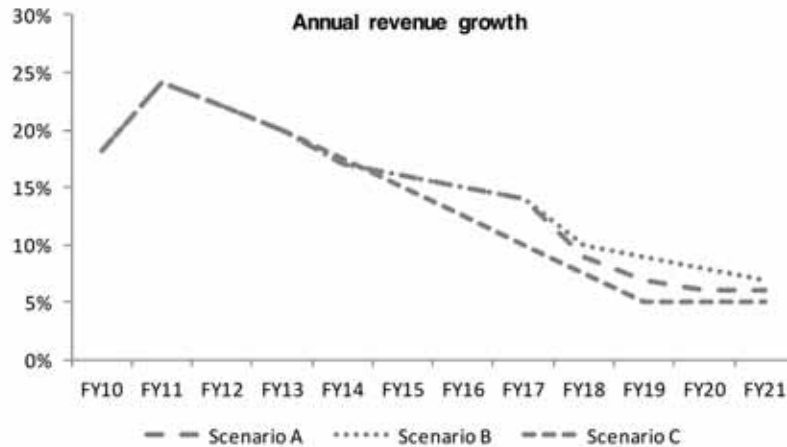
- ▶ Forecast data as provided by LWB management.

On consideration of the above, we have developed a number of revenue scenarios for the LWB operating business that adopt growth assumptions across the short to medium term that are not inconsistent with the Company’s more recent historic revenue growth profile, trailing off to lower growth assumptions out to FY21. A description of these scenarios is as follows:

- ▶ Scenario A - Annual growth in revenue in FY13 of approximately 20%, reducing to approximately 16% in FY15 and stepping down to approximately 6% by FY21.
- ▶ Scenario B - Annual growth in revenue in FY13 of approximately 20%, reducing to approximately 16% in FY15 and stepping down to approximately 7% by FY21.
- ▶ Scenario C - Annual growth in revenue in FY13 of 20% decreasing to 5% by FY19.

The annual revenue growth derived from the different scenarios detailed above is summarised in the chart below. Actual annual growth rates for FY10 to FY12 are shown for reference only:





Source: EY analysis

7.1.1.2 EBITDA Margins

In assessing a range of EBITDA margins to apply to the forecast revenue, we have considered the following:

- ▶ LWB management has forecast that margins will increase as a result of the Geelong facility coming on stream, as the new facility is located closer to the suppliers of the majority of the Company’s raw materials, and is closer to the East Coast markets;
- ▶ LWB’s EBITDA margins over the past four fiscal years has ranged from 21.0% (FY09) to 23.6% (FY12);
- ▶ Analyst forecast data as summarised in the following table:

Forecast EBITDA margins	FY12E	FY13F	FY14F
Broker A	30%	32%	33%
Broker B	25%	25%	na
Broker C	24%	24%	na

Source: Analyst reports

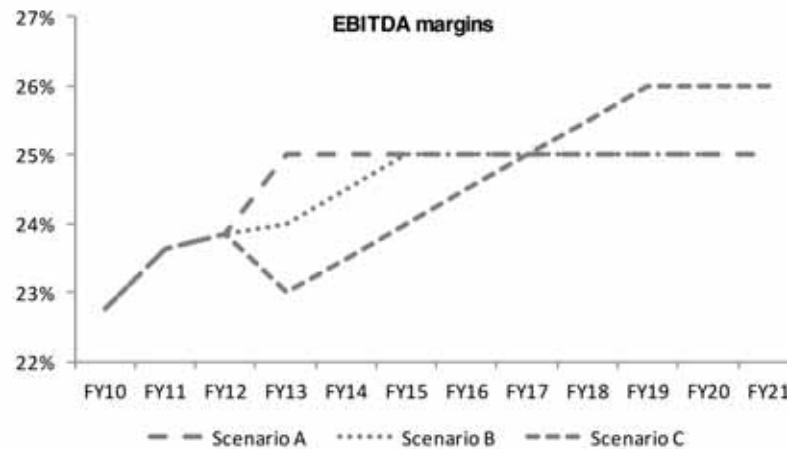
- ▶ Forecast data as provided by LWB management.

On consideration of the above, we have developed a number of EBITDA margin scenarios that are not inconsistent with the Company’s more recent historic EBITDA margin profile, with some recognition of the benefits expected from having the Geelong brewery in operation. A description of the EBITDA margin assumptions we have had regard to in our DCF Model is as follows:

- ▶ Scenario A - EBITDA margins of 25% throughout the forecast period to FY21.
- ▶ Scenario B - EBITDA margins of 24%, increasing to 25% by FY15 and being maintained at that level.
- ▶ Scenario C - EBITDA margins of 23%, increasing over time to 26% by FY19.

The range of EBITDA margins under each of the scenarios are shown in the chart below. Actual annual EBITDA margins for FY10 to FY12 are shown for reference only:

# Annexure A - Independent Expert's Report (continued)



### 7.1.1.3 Other assumptions

#### Capital expenditure

We make the following comments with regards to the assumptions involving capital expenditure:

- ▶ The forecast includes the \$60 million estimated by LWB management for the development of the Geelong brewery and hospitality facilities, less the amounts incurred to date.
- ▶ Sustaining capital expenditure generally in line with historic capital expenditures.

#### Working capital

We calculated working capital as 7% of revenue, based on historical working capital ratios, and have assumed it remains stable at this level.

#### Taxation

The corporate tax rate has been estimated at 30% applied to our calculated EBIT.

#### Terminal Value

The DCF Model was prepared for a period of nine years to FY21. To account for cash flows for years 10 onward, we have capitalised earnings to represent the continuation of the Company's operations indefinitely.

The terminal value multiple was calculated based on a long term growth rate of 2.5%.

#### Discount rate

In determining a net present value of LWB's operating business, the forecast cash flows determined with our DCF Model under the different scenarios have been discounted using a nominal, ungeared post-tax discount rate range of between 10.0% and 11.0% using a mid period discounting assumption.

#### 7.1.1.4 Scenarios

Based on the separate revenue growth and EBITDA margin scenarios noted above, for the purpose of valuing LWB's operating business we have developed the following four scenarios to be most representative of the likely outcomes for the Company, given its current market position and expansion plans:

- ▶ Scenario 1 - Revenue A and EBITDA margin C: Annual growth in revenue in FY13 of approximately 20%, reducing to approximately 16% in FY15 and stepping down to approximately 6% by FY21 with EBITDA margins of 23% increasing over time to 26% by FY19.
- ▶ Scenario 2 - Revenue A and EBITDA margin B: Annual growth in revenue in FY13 of approximately 20%, reducing to approximately 16% in FY15 and stepping down to approximately 6% by FY21 with EBITDA margins of 24%, increasing to 25% by FY15 and being maintained at that level.
- ▶ Scenario 3 - Revenue B and EBITDA margin B: Annual growth in revenue in FY13 of approximately 20%, reducing to approximately 16% in FY15 and stepping down to approximately 7% by FY21 with EBITDA margins of 24%, increasing to 25% by FY15 and being maintained at that level.
- ▶ Scenario 4 - Revenue C and EBITDA margin A: Annual growth in revenue in FY13 of 20% decreasing to 5% by FY19 with EBITDA margins of 25% throughout the forecast period to FY21.

#### 7.1.1.5 Fair value range

Based on the assumptions stated above, we have assessed the fair value of LWB's operating business in the range as follows:

Fair Value of LWB's Operating Business		
AS000's	Low	High
Scenario 1	331,119	372,515
Scenario 2	323,289	363,183
Scenario 3	335,354	377,135
Scenario 4	298,435	334,596

Source: EY analysis

Based on the scenarios above, and our consideration of the relative likelihood and merits of each of these outcomes, we have assessed the fair value of LWB's operating business to be in the range of \$325 million to \$375 million, with a midpoint of \$350 million.

It is of note that if we adopted the revenue and EBITDA margin assumptions contained in the LWB Model and applied our discount rate range, the net present value calculated for LWB's operating business is in the range of between \$353 million and \$397 million, which while greater at the high end of the range is not inconsistent with our assessed valuation range.

## 7.1.2 Cross check to DCF valuation

As a cross check to our DCF assessment of the value the operating business of LWB, we have compared the EBITDA multiple implied by our valuation range with the trading multiples derived from companies listed on stock exchanges with operations comparable, but not necessarily the same, to those of LWB and from transaction multiples derived from transactions involving comparable companies.

Our analysis of trading and transaction multiples is detailed in Appendix C. With respect to trading multiples, on the basis that our assessment of the fair value of LWB is on a 100% basis, which implicitly includes a control premium, we adjusted the trading multiples of comparable companies to include a 30% premium for control. Because of the lack of forecast information for the smaller comparable companies, the trading multiples have been derived based on the most recent historical financial information available.

The EBITDA multiples implied by our DCF assessment of LWB's operating business is summarised in the following table:

# Annexure A - Independent Expert's Report (continued)



Implied EBITDA Multiple A\$000's	Low	High	Midpoint
Fair value assessed for LWB's operating business	325,000	375,000	350,000
LWB's EBITDA for FY12	20,189	20,189	20,189
Implied EBITDA multiple (times)	16.1	18.6	17.3

Source: EY analysis

Accordingly, our valuation of the LWB operating business implies an EBITDA multiple range of between 16.1 and 18.5, with a midpoint of 17.3.

With respect to our analysis of trading and transaction multiples, we make the following comments:

- ▶ The trading EBITDA multiples of craft and small brewers considered to be most comparable to LWB (of which there are three), inclusive of a premium for control, ranged between 15.0 to 20.4, with a median of 18.5 and an average of 18.0;
- ▶ Craft Brew Alliance Inc. a United States based brewer is considered to be the most comparable of the three companies to LWB and has a historic EBITDA multiple of 15.0 times (inclusive of a premium for control);
- ▶ Of the smaller comparable companies with more diversified operations compared to LWB, the EBITDA multiples ranged between 5.6 and 13.8, with a median of 6.9 and an average of 8.9 (inclusive of a premium for control);
- ▶ For comparative purpose, we also considered the trading multiples of the large brewing and beverage companies, which while not directly comparable to LWB, have operations that do operate in the same sector as the Company. Excluding the companies based in the emerging economies of China, South America and the Philippines, the EV/EBITDA multiples for the large brewing companies ranged from 7.7 times to 17.5, with an average of 12.3 and a median of 11.7;
- ▶ The implied EBITDA multiples arising from our review of transactions, which implicitly include a premium for control, ranged from 6.0 to 18.2, with a median and average of 13.4 and 13.0 respectively; and
- ▶ The implied EBITDA multiple for transactions completed or announced since 1 July 2011 have ranged between 11.0 and 15.1.

Based on our analysis of the implied EBITDA multiples of the smaller comparable companies and the larger brewing and beverage companies on a control basis, the EBITDA multiples implied by our DCF assessment of the fair value of LWB's operating business in the range of between 16.1 and 18.5 do not appear unreasonable.

## 7.2 Assets and liabilities not included in the enterprise value

### 7.2.1 Assets

#### Cash

At 30 June 2012, LWB's cash balance totalled \$3.717 million. A review of the Company's working capital balances at the end of FY10 and FY11 indicated that LWB maintained a net working capital position of approximately \$2.5 million, inclusive of cash. The Company's working capital balance as at 30 June 2012 totalled approximately \$5.905 million. In allowing for some additional working capital to support the development of the Geelong brewery and site, we have treated \$3.0 million of the cash balance to be surplus.

#### Investments

LWB holds a 20% investment in Stone & Wood, a small craft brewer located near Byron Bay. In treating this as a surplus asset, for the purpose of the valuation of LWB we have valued the investment at its book value. This reflects the current trading position of Stone & Wood and the need for significant capital investment for the operations to become more commercially competitive. The Company also has a small investment in a co-operative group which acts as a wholesaler for LWB's product.

#### Property



In developing the Geelong site there will be some excess land and buildings that in the short term will not be utilised by LWB. While this land and buildings will be surplus in the near term it is not the intention of LWB to sub-lease any of the property. On this basis no adjustment has been made for this surplus property in the valuation of LWB.

With respect to the property owned or subject to a long term lease by the Company, because it is an integral part of LWB's operations we have not treated property as a surplus asset.

In relation to the lease of 42 Mews Road in Fremantle, the Company does derive rental revenue from other tenants. This revenue together with the associated costs has been included in our DCF assessment. From a net position the income from this source is minimal and not material to the LWB's operations. On this basis we have not attempted to separately value this component of property as a surplus asset.

## 7.2.2 Liabilities

As at 30 June 2012, LWB had interest bearing debt of \$33.0 million. In determining LWB's equity value, this amount needs to be deducted from the value assessed for the Company's operating business.

## 7.2.3 Shares outstanding

As detailed in Section 3.3, on a fully diluted basis LWB will have 68,387,655 shares outstanding after the vesting of the outstanding Achievement Rights. The Achievement Rights vest at no cost to the holder.

# Annexure A - Independent Expert's Report (continued)



## 7.3 Valuation Summary

Based on the range of values assessed for LWB's operating business and taking into account the Company's surplus assets and interest bearing liabilities, for the purpose of this report, we have assessed the fair value of LWB to be in the range of between \$295.385 million and \$345.385 million, with a midpoint of \$320.385 million, detailed as follows:

Assessed Value of LWB			
	Low	High	Midpoint
LWB's operating business (\$000s)	325,000	375,000	350,000
- Cash considered surplus (\$000s)	3,000	3,000	3,000
- Investment in Stone & Wood (\$000s)	385	385	385
- Interest bearing debt (\$000s)	(33,000)	(33,000)	(33,000)
	(29,615)	(29,615)	(29,615)
Fair value of equity (\$000s)	295,385	345,385	320,385
Fully diluted shares on issue (000s)	68,388	68,388	68,388
Value per share (\$)	4.32	5.05	4.68

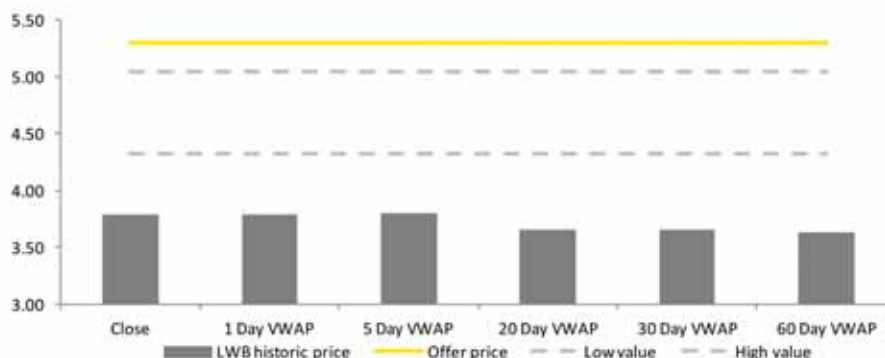
Source: EY analysis

On this basis we have determined the fair value of a LWB share, on a 100% controlling interest basis, to be in the range of between \$4.32 and \$5.05 per share, with a midpoint value of \$4.68.

## 7.4 Consideration of LWB's Trading Prices on the ASX

A summary of the trading prices of LWB's shares on the ASX for the period 1 June 2011 to 14 June 2012 is detailed in Section 3.4. The last trading price of the Company's shares on the ASX on 14 June 2012, being the last day LWB shares were traded before the Scheme was announced, was \$3.79.

The following chart illustrates the trading prices of LWB's shares on the ASX at various periods leading up to the announcement of the Scheme, compared to the range of values assessed from the Company.



Source: Capital IQ, EY analysis

Based on the graph above, and the table contained in Section 8.4.1, LWB's shares traded in the range of \$3.63 to \$3.80 over the respective VWAP periods leading up the announcement of the Scheme. In considering the reasonableness of our fair value per share on a control basis, we note:

- ▶ The trading prices of a LWB share reflect trading prices of minority interests. Our fair value assessment of an LWB share has been performed on a controlling interest basis;



- ▶ Our range of values results in a premium on our low end in the range of 13.7% to 19.0% and a premium on the high end in the range of 32.9% to 39.1% (range of 23.3% and 29.1% at the midpoint) compared to LWB's recent trading price;
- ▶ ▶ An analyst report released prior to the announcement of the Scheme had a target price for LWB's shares of \$3.75.

Based on the items listed above, our range of values appears reasonable.

# Annexure A – Independent Expert’s Report (continued)



## 8. Evaluation of the Scheme

### 8.1 Approach

In forming our opinion as to whether the Scheme is fair and reasonable and therefore in the best interests of LWB Shareholders, we have considered:

- ▶ whether the value of the Scheme Consideration is fair in comparison to the value of LWB on a per share basis;
- ▶ whether the Scheme Consideration includes a premium for control;
- ▶ the advantages and disadvantages relevant to LWB Shareholders; and
- ▶ alternatives to the Scheme.

### 8.2 Valuation conclusion

In determining whether the Scheme is in the best interests of LWB Shareholders we have compared the value assessed for a LWB share with the Scheme Consideration of \$5.30 being offered by AGI.

The comparison of values, based on the values assessed for a LWB share in Section 7.3, is summarised in the following table:

Comparison of Values	Low	High	Midpoint
Value per share (\$)	4.32	5.05	4.68
Value of Scheme Consideration (\$)	5.30	5.30	5.30
Implied premium (%)	22.7%	4.9%	13.1%

Source: EY analysis

Based on our analysis we have assessed the value of a LWB share on a 100% basis to be in the range in the range of between \$4.32 and \$5.05 per share, with a midpoint value of \$4.68. On the basis that LWB Shareholders will receive total cash payments of \$5.30 per share under the Scheme, the Scheme Consideration implies a premium to the fair value of a LWB share of between 4.9% and 22.7%, with a midpoint of 13.1%.

The Scheme Consideration of \$5.30 implies a value for LWB of \$362.455 million. Adjusting for the other assets and liabilities not included in the value of the Company’s operating business, this implies a value for LWB’s operating business of \$392.070 million. The implied EBITDA multiple using the Company’s FY12 EBITDA of \$20.189 million equates to 19.4 times. This is at a premium implied by our valuation of LWB’s operating business of 16.1 to 18.5, as determined in Section 7.1.2.

The existence of a premium is to the benefit of LWB Shareholders. As a result, we consider the Scheme to be ‘fair’ to LWB Shareholders.



### 8.3 Commercial and qualitative factors

As part of assessing the Scheme we also considered the potential advantages and disadvantages to the LWB Shareholders of the Scheme and considered whether the advantages outweigh the disadvantages. In doing this we have considered the commercial and qualitative factors relating to the Scheme.

The factors considered are summarized below. We note that individual LWB Shareholders may interpret these factors differently depending on their individual circumstances.

#### 8.3.1 Advantages

##### Premium for control

The analysis in Section 8.2 shows that AGI is paying a premium to our assessed value of a LWB share. The payment of a premium is to the benefit of the LWB Shareholders.

##### Scheme Consideration will be paid in cash

With the Scheme Consideration to be paid as cash, the Scheme allows LWB Shareholders to immediately realise their investment in LWB at a premium to the assessed value of a LWB share. Unlike selling shares on-market, no brokerage fees are payable on the Scheme Consideration.

#### 8.3.2 Disadvantages

##### No participation in future growth of LWB

By accepting the Scheme, LWB Shareholders are giving up the right to participate in the future growth of the Company. Albeit, in giving up this right LWB Shareholders will no longer be exposed to the risks associated with the further development of the Company's operations.

##### One-off transaction costs

LWB management has estimated that incremental costs associated with the Scheme will be approximately \$417,000. These costs include advisory fees, costs for the preparation of the Notice of Meeting and Scheme Booklet, professional fees and costs associated with the dispatch of documents. We understand that these costs will be borne by LWB regardless of whether the Scheme is or is not approved and will be met from the Company's ongoing working capital.

### 8.4 Other factors

#### 8.4.1 Implied premium based on market prices of a LWB share

On 14 June 2012, the last day there was any trading in LWB shares prior to the announcement of the Scheme on 18 June 2012, the closing price of LWB's shares on the ASX was \$3.79. The Scheme Consideration of \$5.30 per share represents a premium to this price of 39.8%. In considering the prices at which LWB shares traded leading up to the announcement of the Scheme, included in the table below is a summary of LWB's VWAP for different periods to 14 June 2012.

LWB share price	LWB	Cash	
\$'s	Share Price	Consideration	Premium
Close	3.79	5.30	40%
1 Day VWAP	3.79	5.30	40%
5 Day VWAP	3.80	5.30	40%
20 Day VWAP	3.65	5.30	45%
30 Day VWAP	3.66	5.30	45%
60 Day VWAP	3.63	5.30	46%

Source: Capital IQ, EY analysis

In addition to the table above, a review of the share trading history in Section 3.4 shows that between 1 June 2011 and 14 June 2012, LWB's shares traded in the range of \$3.05 to \$3.90, with the monthly VWAP over that period averaging \$3.56. At \$3.05 the implied premium is 73.8% and 35.9% at \$3.90.

# Annexure A - Independent Expert's Report (continued)



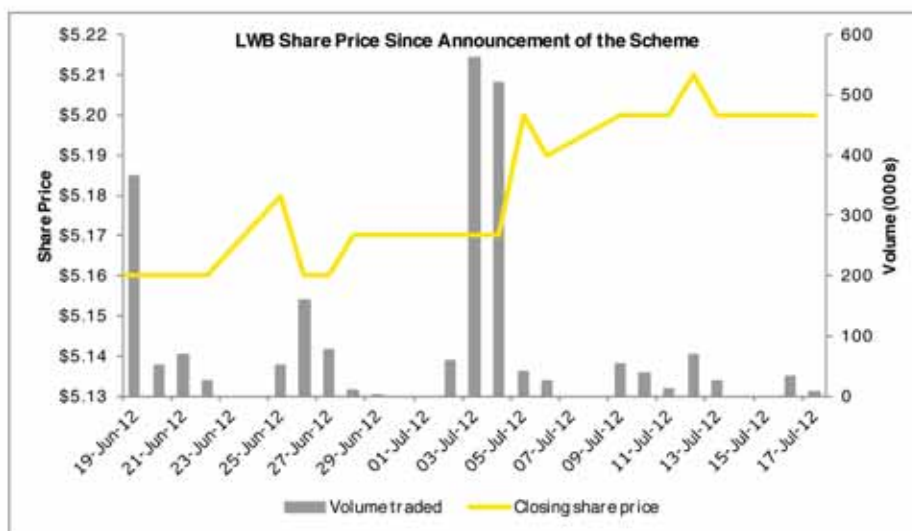
In the absence of the Scheme, the highest price that LWB's shares have ever traded at on the ASX was \$4.02 in March/April 2011. While the significance of this price is dated, the Scheme Consideration is 31.8% higher than LWB's historical high price.

It is evident from this analysis that the Scheme Consideration being offered by AGI represents a significant premium to the prices of LWB shares traded prior to the announcement of the Scheme. The premium range calculated across a range of different periods is generally higher than the level of the premium typically paid in a takeover (i.e. 20% to 40%).

Accordingly, the Scheme provides LWB Shareholders with the opportunity to realise value for their LWB shares in excess of the price at which they traded prior to the announcement of the Scheme on 18 June 2012.

### 8.4.2 Market reaction to the Scheme

The last trading price of LWB's shares on the ASX on 14 June 2012, being the last day an LWB share was traded prior to the announcement of the Scheme, was \$3.79. Based on the daily closing price of the Company's shares, the following chart illustrates the prices and volumes at which LWB's shares traded over the period from 18 June 2012 (being the first day of trading post the announcement) to 17 July 2012.



Source: Capital IQ, EY analysis

On 18 June 2012 LWB's shares traded to a high of \$5.25 before closing at \$5.16. Since then LWB's share price has traded in the range of between \$5.15 and \$5.20, closing on 17 July 2012 at \$5.20.

The significant increase in the share price following the announcement of the Scheme highlights the markets positive response in respect of the Scheme. If the Scheme is not approved or is not completed it is unlikely that LWB's shares would continue to trade at current prices.

### 8.4.3 Tax implications

Ernst & Young Transaction Advisory Services has not considered the specific taxation implications for individual LWB Shareholders. If the Scheme is approved, LWB Shareholders may be liable to pay tax on the disposal of their LWB shares. The specific tax consequences of the Scheme will vary depending on the circumstances of each individual LWB Shareholder.

If LWB receives a favourable tax ruling from the ATO with respect to the tax treatment of the Scheme, it intends to pay the Special Dividend of \$0.20. The Special Dividend is to be fully franked, which may allow those LWB Shareholders who are eligible derive a benefit of a tax offset equal to the amount of the franking credits.

LWB Shareholders should consider the information contained in the Scheme Booklet in relation to taxation implications. These specific tax consequences need to be borne in mind by each LWB Shareholder in weighing up the merits of the Scheme. LWB Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional advisers.

#### **8.4.4 The Non-Lion Directors' view**

We note that the Non-Lion Directors of LWB have unanimously recommended the Scheme to LWB Shareholders in the absence of a superior proposal. The support of the Non-Lion Directors should provide additional comfort to LWB Shareholders.

#### **8.4.5 No alternative offers**

We have discussed with the Directors of LWB the likelihood of alternative offers emerging. The Non-Lion Directors of LWB have advised that they are not aware of any alternative or superior offer for the Company.

It is of note that with a 34.7% interest, AGI is LWB's single largest shareholder. With this level of shareholding, the possibility of any alternative offer in the absence of making it attractive enough for Lion to accept is unlikely, especially as potential buyers would also be competitors of Lion.

#### **8.4.6 Alternatives**

In the event the Scheme does not proceed and in the absence of an alternative transaction emerging, LWB would continue to operate as a specialist premium brewing company listed on the ASX.

#### **8.4.7 Other considerations**

This independent expert's report has been prepared to assist LWB's Shareholders in assessing the merits of the Scheme. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each LWB Shareholder. On this basis, LWB Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, LWB Shareholders should seek their own professional advice.

Whether individual LWB Shareholders should vote to accept or reject the Scheme depends upon their own individual situation, objectives and needs, as well as their view as to the reasonableness factors associated with either accepting or rejecting the Scheme.

# Annexure A - Independent Expert's Report (continued)



## 8.5 Conclusion on the Scheme

Based on the analysis conducted throughout this report, which shows that AGI is offering a premium to the fair value of a LWB share, in our opinion, the Scheme is 'fair and reasonable' and is therefore in the best interests of LWB Shareholders.

In Section 8.3, we set out the commercial and qualitative factors relevant to the consideration of the Scheme and in Section 8.4 we considered other factors relevant to the Scheme. While individual shareholders may interpret these factors differently depending on their own individual circumstances, in Ernst & Young Transaction Advisory Services' opinion the potential advantages outweigh the potential disadvantages to the shareholders as a whole.

Based on the results of the analysis undertaken, in our opinion, the Scheme is in the best interests of LWB Shareholders.

Having regard to the nature of the Scheme and the advantages and disadvantages, it is the opinion of Ernst & Young Transaction Advisory Services, that LWB Shareholders are likely to be better off if the Scheme proceeds.

## Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act and its representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services responsible for this report have not provided financial advice to LWB.

Prior to accepting this engagement, Ernst & Young Transaction Advisory Services considered its independence with respect to LWB with reference to Regulatory Guide 112, *Independence of experts*.

This report has been prepared specifically for the Shareholders of LWB in relation to the Scheme. Neither Ernst & Young Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than the LWB Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by LWB, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix F to this report.

LWB has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the directors and management of LWB for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this report as a result of this review by the directors and management have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately \$90,000 (exclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Ken Pendergast, a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young and Mr Tim Hatherley, a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other Ernst & Young Transaction Advisory Services staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Scheme Booklet to be sent to LWB shareholders with respect to the Scheme. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Scheme is in the best interests of LWB Shareholders.

Ernst & Young Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Scheme Booklet.

# Annexure A – Independent Expert’s Report (continued)



## Appendix B Determination of discount rates

### Introduction

Our valuation of LWB using the DCF approach is based on AUD denominated forecast cash flows that have been prepared on a nominal, ungeared and post-tax basis. To determine the net present value of these cash flows we have assessed the appropriate discount rate on a nominal, post-tax weighted average cost of capital (“WACC”) basis. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

Under a classical tax system the post tax WACC is commonly calculated as follows:

$$WACC = R_e \times \frac{E}{D+E} + R_d (1-t_c) \times \frac{D}{D+E}$$

Where:

*WACC* - post tax weighted average cost of capital

*R<sub>e</sub>* - required rate of return on equity capital

*E* - market value of equity capital

*D* - market value of debt

*R<sub>d</sub>* - required rate of return on debt capital

*t<sub>c</sub>* - statutory corporate tax rate

In the following paragraphs we comment on each of the assumptions we make in respect of each of the main variables in this formula.

### Required rate of return on equity

The capital asset pricing model (“CAPM”) is a model for estimating the rate of return required by an equity investor on an investment.

Under CAPM the required rate of return on equity (*R<sub>e</sub>*) is calculated as follows:

$$R_e = R_f + \beta_e \times (R_m - R_f) + R_s$$

Where:

*R<sub>e</sub>* - rate of return on equity

*R<sub>f</sub>* - risk free rate of return

*β<sub>e</sub>* - expected equity beta of the investment

*R<sub>m</sub>* - expected rate of return on the market portfolio of risky investments

*(R<sub>m</sub> - R<sub>f</sub>)* - excess return of the market over the risk free rate, or the market risk premium

*R<sub>s</sub>* - specific risk premium



#### **Risk free rate**

The 10 year government bond market is the most widely adopted proxy for the risk free rate. Where the term of the cash flow forecast period to which the WACC is applied either exceeds 10 years or is less than 10 years, the 10 year yield is still broadly accepted in practice as an appropriate substitute due to the depth of the market.

We believe that the current risk free rate (usually estimated with reference to the 10 year Government bond rate) is at historically low levels. Most market observers regard this as inconsistent with current share prices, the observed volatility in markets and general economic uncertainty. In response, many valuers have either used a normalised risk free rate, increased their estimates of the market risk premium or have included an additional risk factor in their calculations of the cost of equity. Our preference is to normalise the risk free rate to best reflect the longer term position.

Based on a historical analysis of the risk free rate using the 10 year Government bond rate, a long term range of 5.2% to 5.4% appears appropriate. On this basis, in determining an appropriate risk free rate we have considered the 10 year Government bond yield as at 1 July 2012 of 3.18% and add a further 2.00%. These inputs combined result in a risk free rate of 5.18%.

#### **Market risk premium**

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. Our assessment of the expected return of the market over the risk free rate is based on various studies based on historic returns over the short term and long term, forward-looking premium estimates, recent published views, academic studies and current market research. These sources generated a range of indications of market risk premium. However, our consideration of the data led us to the conclusion that 6.0% represented a consensus of reasonable viewpoints of a market risk premium, and for the purpose of this report we have adopted a market risk premium of 6.0%.

#### **Beta**

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. In order to determine an appropriate beta to use for the valuation of LWB, we have considered the observed betas of comparable companies with similar assets.

Beta can be expressed as an equity beta, which includes the effect of gearing on equity returns, and as an asset beta, which removes the impact of gearing. The asset beta will be lower than the equity beta for any given investment, with the extent of the difference dependent on the level of debt in the capital structure. The greater the level of gearing, the greater is the risk faced by equity holders (as debt holders have a contractual right of return and so first claim on the operating income). Accordingly, for a given asset beta, the equity beta will increase as the level of gearing increases.

# Annexure A – Independent Expert’s Report (continued)



We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_u \left( 1 + \frac{D}{E} (1 - t_c) \right)$$

Where:

$\beta_e$  - the equity or geared beta

$\beta_u$  - the ungeared beta

$t_c$  - the statutory corporate tax rate

$D/E$  - equals the market value of debt divided by the market value of equity capital

Our analysis of the un-g geared betas for brewery companies is set out in the table below.

Comparable Company	Country	Raw Beta <sup>1</sup>	Market Capitalisation <sup>2</sup>	Net Debt / Equity <sup>3</sup>	Asset Beta <sup>4</sup>
Big Rock Brewery Inc.	Canada	0.20	85.5	5.5%	0.20
Craft Brew Alliance, Inc.	United States	0.85	154.2	66.8%	0.60
Gage Roads Brewing Co Limited	Australia	1.35	18.8	4.2%	1.31
Mendocino Brewing Co. Inc.	United States	2.44	2.0	409.6%	0.70
Brick Brewing Co. Ltd.	Canada	1.11	39.2	24.6%	0.94
Einbecker Brauhaus AG	Germany	0.31	20.9	37.4%	0.24
Ottakringer Getränke AG	Austria	0.33	234.2	-5.2%	0.33
<b>Low</b>		0.20		-5.2%	0.20
<b>Mean</b>		0.94		77.6%	0.62
<b>Median</b>		0.85		24.6%	0.60
<b>High</b>		2.44		409.6%	1.31

Source: Capital IQ, EY analysis

1. Raw beta calculated over a 5 year period with monthly observations except where otherwise stated.
2. Market Capitalisation at last reporting period in currencies of the local exchange.
3. Net debt is total debt less cash and cash equivalents over a four year historic period (where available). Equity value is at the valuation date.
4. Where the Net Debt/Equity ratio is negative the ungeared Beta has been taken to equal the Geared Beta.

We have adopted an asset beta for LWB in the range of 0.5 to 0.7. In selecting this beta range, we have considered the following:

- ▶ We have adopted the Capital IQ five year monthly beta calculated against the MSCI as the chosen beta for the following reasons:
  - The five year monthly betas for the comparable companies take into account a longer term view that is relatively smoother than the recent market volatility; and
  - The comparable companies include international companies with global operations, thus using the MSCI is more appropriate;
- ▶ The average and median asset betas of companies with above are 0.62 and 0.60, respectively;
- ▶ The asset betas for the companies considered as craft and small brewers, and therefore the most comparable to LWB, have average and median asset betas of 0.70 and 0.60, respectively with a range of 0.20 to 1.31; and
- ▶ Craft Brew, the company deemed most comparable to LWB has an asset beta of 0.60.



### Capital structure

In calculating the WACC, we need to determine an optimal capital structure at which to re-gear the asset beta, and with which to weight the cost of equity and cost of debt. Generally, the gearing level adopted should reflect the level of debt that can reasonably be sustained by any company operating in an industry, rather than actual gearing maintained by the current business owners.

In order to determine an appropriate capital structure for LWB, we have had regard to both LWB's capital structures and the capital structure of other companies in the industry. In relation to the capital structure, we note that LWB's average debt to equity ratio over the last four years was approximately 10%. The average debt to equity ratio of comparable companies (excluding Mendocino) over the past four years has ranged from 11% to 35%.

We have assessed the debt to equity ratio to be 25%, which translates to a debt to enterprise value ratio of 20%.

### Specific risk premium

We have applied a company specific risk premium of 2.0% to 2.5%. We believe this specific risk premium range is justified to take into account the risks not being captured in the cash flows of the DCF Model. More specifically our company specific risk premium reflects the following:

- ▶ Risk relating to the business model, which is relying on the Geelong brewery to be a major contributor to the forecast growth of the Company. This site is currently in construction; and
- ▶ While LWB has been successful in being able to increase sales year-on-year, the longer term nature of the Company's forecast out to FY21 remains untested, and while the scenario analysis undertaken in Section 7.1.1 provides a range of outcomes, they are still not without risk.

### Cost of debt

We have developed an estimate of the cost of debt for the WACC on the basis of a margin over the yield on 10 year Government bonds.

The debt premium over the risk free rate reflects debt related risks specific to the business being valued (i.e. the risk that the business will default on payments). The cost of debt represents the cost of funding over the life of the cash flow models. In arriving at an appropriate debt premium we have had regard to a number of factors including:

- ▶ The margin implicit in corporate bond yields over government bond yields. Implied yields reflect the market's view of risk as at a point in time and care should be exercised before incorporating these into any assessment of an entity's cost of debt; and
- ▶ The debt ratings of comparable companies, in particular, Standard & Poor's BBB credit ratings.

Similarly to the risk free rate, we believe that the Australian corporate bonds (usually estimated with reference to the 7 year corporate bond rate) are at historically low levels. Based on a historical analysis of corporate bonds (7 year corporate bond rate) we have implied a premium of 2.00% attributable to the low corporate bond rate.

After considering the above factors, with particular emphasis on the long-term spread of Australian BBB rated corporate bonds, we adopted a cost of debt of 8.39%.

### Corporate tax rate

The effective rate of tax may differ from the statutory corporate rate due to differences between tax and accounting depreciation and items not deducted for tax purposes.

The comparable corporate tax rate for each company's home country has been taken into account when calculating betas.

We adopted a tax rate of 30.0% when calculating the WACC.

### WACC calculation for LWB

On the basis of the above, we have adopted the following inputs in our calculation of a range of nominal, post-tax WACC:

## Annexure A - Independent Expert's Report (continued)

Parameter	Low WACC	High WACC	Source
Risk Free Rate ( $R_f$ )	5.18%	5.18%	10 Year Government bond (normalised)
Market Risk Premium ( $R_m - R_f$ )	6.00%	6.00%	Industry Standard
Asset Beta ( $\beta_a$ )	0.50	0.70	Comparative Analysis
Equity Beta ( $\beta_e$ )	0.59	0.82	$= \beta_a \cdot (1 + ((D / E) \cdot (1 - t_c)))$
Company Risk Premium ( $R_s$ )	2.00%	2.50%	Individual Assessment
Debt Premium	3.20%	3.20%	Market Analysis
Nominal Pre-Tax Cost of Debt ( $R_D$ )	8.39%	8.39%	7 Year Corporate Bond
Tax Rate ( $t_c$ )	30.00%	30.00%	Legislation
Debt: Equity ( $D / E$ )	25.00%	25.00%	$= (D / V) / (E / V)$
Debt Proportion ( $D / V$ )	20.00%	20.00%	Company and Comparative Analysis
Equity Proportion ( $E / V$ )	80.00%	80.00%	Company and Comparative Analysis
Cost of Equity ( $R_e$ )	10.70%	12.60%	$= R_f + \beta_e \cdot (R_m - R_f) + R_s$
<b>Nominal Post Tax WACC (<math>R_w</math>)</b>	<b>9.73%</b>	<b>11.25%</b>	$= (E / V) \cdot R_e + (D / V) \cdot (1 - t_c) \cdot R_D$
<b>Say,</b>	<b>10.00%</b>	<b>11.00%</b>	

Source: EY analysis

Based on the above analysis, we have assessed the following nominal, post-tax discount rates to apply in the discounted cash flow valuation of LWB in the range of 10.0% to 11.0%.

## Appendix C Trading and transaction multiples

### Introduction

As a cross check to our DCF assessment of the value of LWB's operating business we have considered trading and transaction multiples of companies with similar operations, but not necessarily the same, as those of LWB.

### Trading multiples of comparable companies

Due to the comparatively small market capitalisation of LWB compared to the large, multinational beer and beverage companies that dominate market share within the sector, for the purpose of our analysis we have considered a range of smaller companies with craft brewing operations as well as those with wider reaching beer and beverage operations. In this regard, we note that the number of listed Australian brewers is limited. As a result, we extended the search for companies with operations outside of Australia.

We have divided the comparable companies into two groups. The first group of comparable companies are craft beer breweries and are most comparable to LWB in terms of the type, size and scale of operations. The second group of companies are generally more diversified in terms of their product offerings outside of alcoholic beverages and may brew beer under license, rather than brew their own proprietary products.

A summary description of the smaller comparable companies is contained in Appendix D.

For comparative purpose, we have also considered the trading multiples of the large brewing and beverage companies, which while not directly comparable to LWB, have operations that do operate in the same sector as the Company.

We have calculated the trading multiples as follows:

- ▶ Obtained the market capitalisation for each company based on the its closing share price as at 1 July 2012 to calculate an equity value for the company;
- ▶ Added back net debt or subtracted net cash as reported at the latest available reporting date prior to 1 July 2012, to obtain an enterprise value ("EV") for the company; and
- ▶ Divided the EV by the company's last 12 month ("LTM") and forecast (if available) EBITDA and EBIT as disclosed by the company as at 1 July 2012.

It is of note that market prices of companies listed on a stock exchange usually reflect the prices paid for small parcels of shares representing minority interests and as such do not include a control premium relevant to a significant parcel of shares. On the basis that our assessment of the fair value of LWB is on a 100% basis, which implicitly includes a control premium, we have considered the trading multiples inclusive of a premium for control. In our assessment of the appropriate control premium applicable to our trading multiple analysis, we have considered:

- ▶ ▶ The median bid premium paid on global transactions across all industries in the 12 months to March 2012 was 38%<sup>17</sup> based on 132 transactions;
- ▶ ▶ The median bid premium paid on Australian transactions with a deal size of greater than \$50 million across all industries in the 18 months to June 2012 was 30% based on the company's share price on the day prior to the announcement. The median premium based on the share price of the target one month prior to announcement of the transaction was 35%<sup>18</sup>;
- ▶ We note that over that period, Foster's was subject to a takeover by SABMiller, with the implied premium for that transaction being 12% based on the closing price the day prior to the announcement of the deal and 22% based on the share price one month prior to the announcement; and

<sup>17</sup> MergerStat, Control Premium Study, 1st Quarter 2012

<sup>18</sup> Excluding any transaction with a negative premium or premium over 100%

# Annexure A - Independent Expert's Report (continued)



- ▶ The range of control premiums consistently referred to in Australia is generally between 20% and 40%<sup>19</sup>, which recognises that such premiums will vary from circumstance to circumstance.

Based on the above, we have adopted a control premium of 30%. In adjusting the comparable company multiples to a control basis we increased the market capitalisation of the comparable companies by 30%. Because the comparable companies have different levels of net debt when determining EV, the difference between the market capitalisation and controlling interest EV may not equate to exactly 30%.

A summary of the implied trading multiples on an EBITDA and EBIT basis for the group of comparable craft and smaller brewing companies on a controlling interest basis is included below.

Craft and Small Brewers	Country	Currency	Enterprise value \$m's	EV/ EBITDA times	EV/ EBIT times	EBITDA Margin	EBITDA Growth
Big Rock Brewery Inc.	Canada	CAD	113.3	18.5	33.0	13%	-9%
Craft Brew Alliance, Inc.	USA	USD	211.0	15.0	30.9	9%	17%
Gage Roads Brewing Co	Australia	AUD	29.1	20.4	27.7	8%	135%
<b>Low</b>				15.0	27.7	8%	-9%
<b>High</b>				20.4	33.0	13%	135%
<b>Median</b>				18.5	30.9	9%	17%
<b>Average</b>				18.0	30.5	10%	48%

Source: Annual reports, ASX announcements and CapitalIQ

We make the following comments with regards to the trading multiples above:

- ▶ The EV/EBITDA multiples have a median of 18.5 and average of 18.0, and a range of 15.0 to 20.4. This same group of companies is also trading at a range of EV/EBIT multiples of 27.7 and 33.0, with a median and average of 30.9 and 30.5 respectively;
- ▶ Big Rock Brewery Inc. ("Big Rock") is a Canadian producer, marketer and distributor of craft beers and ciders. The company has experienced negative growth for both its EBITDA and EBIT over the most recent financial period. This was primarily attributable to an increase in cost of sales, which was only partially offset by a small increase in revenues. Despite Big Rock's sales volumes increasing, a change in its product mix to lower priced products resulted in only marginal sales growth;
- ▶ Craft Brew Alliance, Inc. ("Craft Brew") operates in the United States, brewing and selling its craft beers from its five breweries as well as the operating its five pub-restaurants (four of which are located next to the breweries). Due to its larger size and comparable operations, of the companies in this group, we believe Craft Brew is the most comparable company to LWB. Craft Brew's EBITDA multiple on a controlling basis is 15.0 times;

<sup>19</sup> Loneragan, W, *The Valuation of Businesses, Shares and Other Equity* 4<sup>th</sup> Edition, 2003

- ▶ Gage Roads is an Australian brewer that derives a significant proportion of its revenues from contract brewing as well as its own beer brands; however its exposure to the Australian market (and specifically, the Perth market and the close proximity of its brewery to Fremantle) lends itself to be a reasonable comparable company. The company has experienced significant increases in both its EBITDA and EBIT, albeit at levels for the LTM at \$1.4 million and \$1.0 million respectively, Gage Roads has much smaller operations and scale compared to LWB; and
- ▶ There was no forecast data available for the companies listed above; therefore, no forecast growth rates could be assessed.

A summary of the implied trading multiples on an EBITDA and EBIT basis for the group of more diversified comparable companies on a controlling interest basis is included below.

Diversified Brewers	Country	Currency	Enterprise value \$m's	EBITDA Multiple	EBIT Multiple	EBITDA Margin	EBITDA Growth
Mendocino Brewing Co. Inc.	USA	USD	12.7	6.6	28.2	5%	267%
Brick Brewing Co. Ltd.	Canada	CAD	61.1	13.8	29.4	13%	39%
Einbecker Brauhaus AG	Germany	EUR	28.9	5.6	22.7	13%	20%
Kulmbacher Brauerei AG	Germany	EUR	161.4	6.9	25.1	11%	9%
Ottakringer Getränke AG	Austria	EUR	303.2	11.6	25.7	13%	-3%
<b>Low</b>				5.6	22.7	5%	-3%
<b>High</b>				13.8	29.4	13%	267%
<b>Median</b>				6.9	25.7	13%	20%
<b>Average</b>				8.9	26.2	11%	66%

Source: Annual reports, ASX announcements and CapitalIQ

We make the following comments with regards to the trading multiples above:

- ▶ The companies are generally more diversified than LWB in terms of their product offerings outside of alcoholic beverages and may brew beer under license, rather than brew their own proprietary products;
- ▶ The EV/EBITDA multiples have an average of 8.9 with a median of 6.9, where the lowest multiple was 5.6 and the highest was 13.8. This same group of companies have EV/EBIT multiples with a median of 25.7 and average of 26.2, ranging between 22.7 and 29.4;
- ▶ The trading multiples for the more diversified companies are lower than those of the more specialised, craft and smaller brewing and companies considered above; and
- ▶ There were no forecast data available for any of the companies listed above.

For both groups of smaller comparable companies, the EV/EBITDA and EV/EBIT multiples, including a control premium of 30%, tend to trade between 9.0 and 18.0 and 25.0 and 30.0 respectively, albeit the multiples were lower for selected brewers in our second group of comparable companies.

A summary of the implied trading multiples on an EBITDA and EBIT basis for the group of large brewing and beverage companies on a control basis is included below:

# Annexure A – Independent Expert’s Report (continued)



Large and Diversified Brewers	Country	Enterprise value \$m's	EV/ EBITDA times	EV/ EBIT times	EBITDA Margin	EBITDA Growth
Heineken NV	The Netherlands	39,301.8	11.7	17.8	20%	6%
Molson Coors Brewing Co.	USA	10,907.8	16.2	24.0	19%	6%
Grupo Model, S.A.B. De C.V.	Mexico	461,364.0	15.9	18.7	31%	11%
SABMiller plc	England	71,248.0	13.8	17.9	31%	11%
Asahi Group Holdings Ltd.	Japan	1,442,870.4	8.5	13.9	11%	12%
Sapporo Holdings Ltd.	Japan	352,923.1	7.7	21.2	10%	19%
Kirin Holdings Company Ltd.	Japan	2,198,823.2	7.9	16.3	13%	-2%
Congqing Brewery Co. Ltd.	China	14,302.4	33.7	58.9	15%	13%
Tsingtao Brewery Co. Ltd.	China	74,693.8	26.2	35.2	12%	10%
Asia Pacific Breweries Ltd.	Singapore	11,623.4	15.5	17.1	23%	22%
Anheuser-Busch InBev SA/NV	Belgium	162,103.7	10.6	12.8	39%	12%
Coca-Cola Amatil	Australia	14,799.2	17.5	22.5	17%	-17%
Compania Cervecerias Unidas S.A.	Chile	2,654,550.0	11.6	14.7	23%	12%
Companhia de Bebidas Das Americas (AmBev)	Brazil	276,859.0	20.9	23.4	48%	13%
Carlsberg A/S	Denmark	129,375.6	10.2	14.5	20%	-4%
San Miguel Brewery, Inc.	The Philippines	613,614.1	26.6	29.6	32%	8%
<b>Low</b>			7.7	12.8	10%	-17%
<b>High</b>			33.7	58.9	48%	22%
<b>Median</b>			14.6	18.3	20%	11%
<b>Average</b>			15.9	22.4	23%	8%

Source: Annual reports, ASX announcements and CapitalIQ

We make the following comments with regards to the trading multiples above:

- ▶ The companies are significantly more diversified than the smaller comparable companies considered above in terms of the segments that they operate in and the wider geographical markets;
- ▶ The EV/EBITDA multiples of companies based in emerging economies, such as China, Brazil and the Philippines are generally higher than for companies based in the more mature markets. The companies based in Japan have the lowest EV/EBITDA multiples; and
- ▶ Excluding the companies based in the emerging economies of China, South America and the Philippines, EV/EBITDA multiples for the large brewing companies ranged from 7.7 times to 17.5, with an average of 12.3 and a median of 11.7. On an EV/EBIT basis the multiples range from 13.9 times to 24.0, with an average of 17.9 and a median of 17.8.

In considering the implied multiples for the large companies they are generally lower than the multiples for the craft and small brewers and higher than for the diversified brewers, which is not unexpected.

We note that there have been no significant changes to the trading multiples from 1 July 2012 to the date of this report.

### Transaction multiples for comparable companies

We have also considered prices achieved in transactions that involve the purchase of brewing companies both in Australia and internationally where information was publicly available and the transaction involved a change in control. Further details regarding these transactions can be found in Appendix E.

Date	Target	Acquirer	Currency	Implied Enterprise Value <sup>1</sup> \$m's	Implied EBITDA <sup>2</sup> Multiple	Implied Forecast <sup>3</sup> EBITDA Multiple	Implied EBIT <sup>4</sup> Multiple	Implied Forecast <sup>4</sup> EBIT Multiple
Apr-12	StarBev LP	Molson Coors Brewing Company	EUR	2,650	11.0	na	na	na
Jan-12	SABMiller Plc (beer business in Ukraine & Russia)	Anadolu Elas Braciklik ve Mall Sanayi A.S.	USD	1,900	12.8	na	na	na
Aug-11	Flavoured Beverages Group Holdings Limited	Asahi Group Holdings Ltd	NZD	1,525	14.0	na	18.4	na
Aug-11	Foster's Group Ltd	SABMiller plc	AUD	12,252	15.1	11.4	16.2	12.4
Jan-10	FEMSA Cerveza SA de CV	Heineken N.V.	EUR	5,300	11.3	na	na	na
Dec-09	PT Multi Bintang Indonesia Tbk	Asia Pacific Breweries Ltd	IDR	3,026,464	6.0	na	7.2	na
Apr-09	Lion Nathan Ltd	Kirin Holdings Company Ltd	AUD	8,391	13.6	12.7	16.1	15.2
Jul-08	Anheuser-Busch Companies Inc.	InBev SA	USD	80,797	13.4	14.1	17.2	17.0
Apr-08	Eichhof Getraenke Holding AG	Heineken N.V.	CHF	290	12.0	na	18.0	na
Nov-07	J Boag & Son Pty Ltd	Lion Nathan Ltd	AUD	325	18.2	na	20.8	na
Sep-05	Coopers Brewery Ltd <sup>4</sup>	Lion Nathan Ltd	AUD	427	10.3	na	19.5	na
Low					6.0	11.4	7.2	12.4
High					18.2	14.1	20.8	17.0
Median					13.4	12.7	17.6	15.2
Average					13.0	12.7	16.7	14.9

Source: Mergermarket, DataAnalysis, company announcements, press articles

1 - Implied enterprise value calculated represents the enterprise value of 100% of the shares regardless of the actual percentage of shares acquired.

2 - EBITDA and EBIT information was extracted from the target company's most recent financial statement information prior to the announcement of the transaction.

3 - Forecast data was obtained from broker forecasts prior to the announcement of the transaction

4 - The takeover of Coopers by Lion Nathan was not completed

We make the following comments relating to the transactions:

- ▶ The implied EBITDA multiples arising from the transactions shown have ranged widely from 6.0 to 18.2, with a median of 13.4 and average of 13.0. The EBIT multiples range from 7.2 to 20.8, with a median of 17.6 and an average of 16.7. The implied EBITDA multiple for transactions completed or announced since 1 July 2011 have ranged between 11.0 and 15.1;
- ▶ All transactions relate to the acquisition of more than 50% of the target company's outstanding shares. As such, all transactions implicitly include a premium for control;
- ▶ The acquisition of StarBev LP ("StarBev") by Molson Coors Brewing Company ("Molson Coors") in April 2012 was expected to increase Molson Coors' portfolio of premium brands and its international footprint. Molson Coors expected the transaction to generate US\$50 million of pre-tax operational synergies by 2015 primarily through production efficiencies, procurement, systems and related areas. We note that this deal is still pending, but is expected to close in 2012;

## Annexure A - Independent Expert's Report (continued)



- ▶ The acquisition of the beer business of SABMiller in Ukraine and Russia by Anadolu Efes Biracilik ve Malt Sanayii A.S. ("Anadolu Efes") in January 2012 was expected to strengthen Anadolu Efes' position across the region. The transaction was expected to yield significant cost synergies of at least US\$120 million per annum and provide additional revenue opportunities. We note that this deal is still pending but is expected to close in 2012;
- ▶ The acquisition of Flavoured Beverages Group Holdings ("Flavoured Beverages") trading as Independent Liquor Group ("Independent Liquor"), a leading alcoholic ready-to-drink company in New Zealand, by Asahi Group Holdings, Ltd ("Asahi") in August 2011 was undertaken to allow Asahi to expand its overseas investment activities. In addition, the transaction was part of Asahi's strategy to increase revenue outside of Japan to 20% of total revenue by 2015. The transaction followed Asahi's other transaction in the region being Schweppes Australia in 2009, P&N Beverages Australia (a water and juice business) in 2011 and Charlie's Group in 2011;
- ▶ The acquisition of Foster's by SABMiller in August 2011 was part of SABMiller's strategy to create a global spread of businesses with a focus on the development of strong and successful brand portfolios. The transaction was undertaken to provide SABMiller with access to the strong and growing Australian economy as well as to benefit from an estimated A\$130 million of cost synergies;
- ▶ Heineken acquired the beer operation of FEMSA Cerveza ("FEMSA") in January 2010 to increase its presence in the Americas. The transaction was expected to build Heineken's position in Mexico and Brazil. Heineken would be able to accelerate the growth of its brand in the premium segment in the region, strengthen Heineken's international portfolio and further build Heineken's exposure to developing markets. Annual cost synergies and savings were expected to reach €150 million by 2013;
- ▶ The acquisition of Heineken's stake in PT Multi Bintang Indonesia Tbk ("Bintang") by Asia Pacific Breweries Ltd ("APB") in December 2009, provided APB an entry into the Indonesian market. The transaction was part of APB's strategy to expand its footprint in South East Asia;
- ▶ The acquisition of Lion Nathan by Kirin in April 2009 was part of Kirin's long term growth strategy to become a leading company in the areas of beverages, food and health across Asia and Oceania;
- ▶ The acquisition of Anheuser-Busch by InBev in July 2008 created a world leader in the beer industry. The transaction was expected to yield cost synergies of at least US\$1.5 billion annually by 2011, which was to be driven by sharing best practices, economies of scale and rationalisation of overlapping corporate functions;
- ▶ The acquisition of the beverage division of Eichhof Holding AG ("Eichhof") by Heineken in April 2008 was undertaken in an attempt to strengthen Heineken's market share in the beer industry and increase Heineken's presence in the Swiss market; and
- ▶ The acquisition of James Boag & Son Pty Ltd ("JBS") by Lion Nathan in November 2007 allowed Lion to consolidate the distribution of JBS, which would result in cost synergies and enhance the profile of the brands.
- ▶ The attempted takeover of Coopers by Lion Nathan in September 2005 did not proceed.



## Appendix D Description of comparable companies

### **Big Rock Brewery Inc.**

Big Rock Brewery Inc. ("Big Rock") is a company founded in 1984 and based in Calgary, Canada. Prior to January 2011, Big Rock was known as 'Big Rock Brewery Income Trust'. Big Rock is a producer, marketer and distributor of craft beers and ciders to Alberta and other provinces within Canada. Big Rock's products include 12 ales and lagers, Rock Creek dry apple cider and seasonal beers. In 2010 Big Rock constructed a new brewery from which a new range of beers was introduced in 2011. In March 2011, Big Rock redesigned the artwork and packaging of its products. Big Rock is listed on the Toronto Stock Exchange.

### **Craft Brew Alliance, Inc.**

Craft Brew Alliance, Inc. ("Craft Brew") is a company founded in 1981 and based in Portland, USA. The company is the result of mergers between Redhook Ale Brewery, Widmer Brothers Brewing and Kona brewing, which are three craft beer brands. Craft Brew divides its operations into two categories; Beer Related, which includes the brewing and sale of its craft beers from its five breweries (four of which are production breweries and one smaller, manual brewpub-style brewing system), and Pub and Other, which include its five pub-restaurants (four of which are located next to its breweries). Craft Brew's breweries are located on both the east and west coasts of the USA, as well as in Hawaii. Craft Brew's customer base includes restaurants, bars, liquor stores, supermarkets, warehouse clubs, convenience stores and pharmacies. Part of its sales revenues is derived from the sale of merchandise, including clothing and memorabilia, through its pubs and breweries. Craft Brew is a member of a wholesale distribution network. The company's Redhook and Widmer Brothers beers are distributed across all 50 states, while its Kona beers are distributed in 29 states. Craft Brew also maintains an independent sales and marketing organisation. The company is listed on the NASDAQ Global Market.

### **Gage Roads Brewing Co Limited**

Gage Roads Brewing Co Limited ("Gage Roads") is a company based in Palmyra, Perth, Western Australia. Gage Roads brews, packages, markets and sells beer, cider and other beverages across Australia. Gage Roads has operations as a contract brewer and a strategic alliance with Woolworths, under which it brews Woolworths-owned beer brands such as Dry Dock, Clipper Light, Castaway Apple Cider and Castaway Pear Cider. Gage Roads has moved from being a niche brewer operating at a loss to a contract brewer operating at a profit. Gage Roads is currently amid a \$9.6 million four year capital expansion program designed to increase its production capacity from 1.2 million cases to 2.9 million cases per year by FY15. The company is listed on the ASX.

### **Mendocino Brewing Co. Inc.**

Mendocino Brewing Co. Inc. ("Mendocino") is a company founded in 1982 based in Ukiah, California, USA. Mendocino is a producer and seller of beer and malt beverages across the USA, Europe and Canada. Its operations also include a brewpub and gift store in Ukiah, contract brewing for other beer brands, and the distribution of alcohol to restaurants and retailers across the UK and Europe. Mendocino's customer base, which is reached through wholesale distributors, comprises of supermarkets, warehouse stores, liquor stores, taverns and bars, restaurants and convenience stores, as well as Indian restaurants through restaurant trade distributors internationally. Mendocino engages independent distributors to deliver its products to retailers. The company's operations in North America consist mainly of brewing and marketing craft beers, which accounted for 42% of gross sales during fiscal year 2011. Mendocino is traded on an over-the-counter network and not on a formal exchange.

# Annexure A - Independent Expert's Report (continued)



## **Brick Brewing Co. Ltd.**

Brick Brewing Co. Ltd. ("Brick Brewing") is a company founded in 1984 and based in Kitchener, Canada. It is a producer, seller, marketer and distributor of packaged and craft beer and premium beer. Its market is primarily Ontario, but also Atlantic Canada, Western Canada and the USA. Additionally, Brick Brewing manufactures and packages the Mott's Caesar brand in bottles under contract with Canada Dry Mott's, Inc. and acts as the sales agent in Ontario for Canada Dry Mott's, Inc. Brick Brewing is also involved in producing and packaging beer and ready-to-drink alcoholic beverages for third party customers. It produces, sells, markets and distributes various beer products on behalf of Loblaw's Inc. under the licensed President's Choice trademark. Brick Brewing distributes packaged beer to its customers mainly via The Beer Store and Liquor Control Board of Ontario, licensed outlets, such as bars and restaurants, and provincial liquor boards. Brick Brewing is also a producer, seller, marketer and distributor of Seagram Blends in Canada after purchasing the rights to Seagram Coolers on 16 March 2011. Brick Brewing is listed on the Toronto Stock Exchange.

## **Einbecker Brauhaus AG**

Einbecker Brauhaus AG ("Einbecker") is a company founded in 1378 and based in Einbeck, Germany. Einbecker is involved in the brewing of beer in Germany. Its product range includes pilsner beers, bock beer in Einbecker bottles, non-returnable bottles and kegs. Einbecker is primarily focussed on the production of bock beer, a form of stout which is manufactured in both light and dark varieties. Einbecker has diversified its product line and now sells an array of beverages including non-alcoholic and diet drinks, pilsners, light and dark beers and the Radler, Naturtrüb, Weissbier and Winterbier labels. In 1988, Einbecker acquired Goettinger Brauhaus's regional brewery, as well as Kassel's Martini brewery in 1997. Einbecker is listed on the Frankfurt Stock Exchange.

## **Kulmbacher Brauerei AG**

Kulmbacher Brauerei AG ("Kulmbacher") is a company founded in 1846 based in Kulmbach, Germany, and is a subsidiary of Brau Holding International GmbH & Co. KGaA. It is a producer and seller of beer primarily in the southern states of Germany but also exports its products worldwide. The company's primary operations are based on the production of brews including pilsners, lagers, wheat beers, light beers and seasonal brews. Its products are offered under the Kulmbacher, Eku, Monchshof, Kapuziner and other brand names. Kulmbacher also sells mineral water, fruit juices and soft drinks under the Bad Brambacher brand name. From 1980 to 2005, the company steadily expanded, becoming involved in several mergers and acquisitions and currently controls an extensive range of subsidiaries. Kulmbacher is listed on the Munich stock exchange.

## **Ottakringer Getränke AG**

Ottakringer Getränke AG ("Ottakringer") is an independent family-owned company founded in 1837 and based in Vienna, Austria. As a brewer, it produces and sells a variety of beers including lager, light and dark beers, shandy beer, and in addition alcohol-free beer and mineral water. Its product portfolio includes light Helles beer, Bock, Dunkles, Schnitt, Radler, 16er Blech, Zwickl, UO Urban Ottakringer along with a pilsner range. Ottakringer delivers approximately 400 million litres of beverages each year including beer and mineral water. The company controls a number of subsidiaries in Germany, Hungary, Malta and Austria.

## Appendix E Descriptions of transactions

**Target:** StarBev LP  
**Bidder:** Molson Coors Brewing Company  
**Announcement date:** April 2012  
**Consideration:** €2,650m

Molson Coors Brewing Company ("Molson Coors") has agreed to acquire StarBev LP ("StarBev") from CVC Capital Partners Limited. Molson Coors, the listed US based company headquartered in Denver, Colorado, is a brewer and manufacturer of a portfolio of beers. CVC Capital Partners Limited, the UK based company headquartered in London, is a private equity firm. StarBev, the Czech Republic based company headquartered in Prague, is an operator of breweries in Central and Eastern Europe.

**Target:** SABMiller (beer business in Ukraine & Russia)  
**Bidder:** Anadolu Efes Biracilik ve Malt Sanayii A.S.  
**Announcement date:** January 2012  
**Consideration:** US\$1,900m

Anadolu Efes Biracilik ve Malt Sanayii AS ("Anadolu Efes") has agreed to acquire the beer businesses of SABMiller in Ukraine and Russia. Anadolu Efes, the listed Turkey based company headquartered in Istanbul, is a producer and marketer of beer and soft drinks. SABMiller is a listed UK based brewing group and operator of hotels and casinos. It is also engaged in making wine, spirits and fruit drinks.

**Target:** Flavoured Beverages Group Holdings Limited  
**Bidder:** Asahi Group Holdings Ltd  
**Announcement date:** August 2011  
**Consideration:** NZ\$1,525m

Asahi Group Holdings Ltd ("Asahi") acquired all outstanding shares of Flavoured Beverages Group Holdings, trading as Independent Liquor Group ("Independent Liquor") through Asahi's existing subsidiary in Australia. Independent Liquor is the leading Alcoholic Ready-to-Drink company in New Zealand. Asahi, the listed Japan based company headquartered in Tokyo, is engaged in the production and sales of food and drinks.

**Target:** Foster's  
**Bidder:** SABMiller  
**Announcement date:** August 2011  
**Consideration:** A\$10,786m

SABMiller acquired all outstanding shares of Foster's, which at the time was Australia's largest brewer. Foster's, was listed on the ASX and is headquartered in Victoria.

**Target:** FEMSA Cerveza SA de CV  
**Bidder:** Heineken  
**Announcement date:** January 2010  
**Consideration:** €3,800m

Heineken acquired FEMSA Cerveza SA de CV ("FEMSA"), comprising 100% of FEMSA's Mexican beer operations (including its US and other export business) and the remaining 83% of FEMSA's Brazilian beer business that Heineken does not currently own. FEMSA, a Mexico based company headquartered in Monterrey, is engaged in the production, distribution and marketing of beer. Heineken, a listed Netherlands based company headquartered in Amsterdam, is a beer producer.

**Target:** PT Multi Bintang Indonesia Tbk  
**Bidder:** Asia Pacific Breweries Ltd  
**Announcement date:** December 2009  
**Consideration:** IDR2,301,827m

Asia Pacific Breweries Limited ("APB") acquired Heineken's 68.5% interest in Indonesian-based PT Multi Bintang Indonesia Tbk ("Bintang"). Bintang is an Indonesian listed brewer, which produces and distributes several brands,

## Annexure A - Independent Expert's Report (continued)



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including Bintang beer (under licence from Heineken) in Indonesia and is the leading brewer in the country. APB, a Singapore based listed company, is a beer manufacturer and distributor.

**Target:** Lion Nathan  
**Bidder:** Kirin  
**Announcement date:** April 2009  
**Consideration:** A\$3,517m

Kirin agreed to acquire the remaining 53.87% of Lion Nathan that it did not already own. Lion Nathan is an Australian beverages group. Kirin, a listed Japan based company headquartered in Tokyo, is a drinks and pharmaceuticals producer.

**Target:** Anheuser-Busch Companies Inc  
**Bidder:** InBev SA  
**Announcement date:** July 2008  
**Consideration:** US\$52,567m

InBev and Anheuser-Busch have agreed to merge the two companies, forming the world's leading global brewer. The combined company will be called Anheuser-Busch InBev. Anheuser-Busch, the listed American based company, is a leading American brewer. InBev, a listed company, is a global brewer based in Belgium.

**Target:** Eichhof Getraenke Holding AG (beverage division)  
**Bidder:** Heineken  
**Announcement date:** April 2008  
**Consideration:** CHF279m

Heineken has agreed to acquire the beverage division of Eichhof Getraenke Holding AG ("Eichhof") based in Lucerne, Switzerland. The beverage division of Eichhof comprises the production and distribution of beers, non-alcoholic beverages and wine and employs approximately 450 staff.

**Target:** J Boag & Son Pty Ltd  
**Bidder:** Lion Nathan  
**Announcement date:** November 2007  
**Consideration:** A\$325m

Lion Nathan has agreed to acquire J Boag & Son Pty Ltd ("JBS") from San Miguel Corporation. JBS is a brewer based in Tasmania, Australia. Lion Nathan is an Australian beverages group.

**Target:** Coopers  
**Bidder:** Lion Nathan  
**Announcement date:** September 2005  
**Consideration:** A\$420m

Lion Nathan Ltd made an unsuccessful bid for Coopers. The revised offer in November 2005 followed an unsuccessful first bid for Coopers in September 2005. Coopers is an unlisted public brewing company based in South Australia. Lion Nathan is an Australian beverages group.

## Appendix F Sources of information

In preparing this report, Ernst & Young Transaction Advisory Services had regard to the following sources of information:

- ▶ LWB's annual reports for FY09, FY10, FY11 and management accounts for the year ended 30 June 2012;
- ▶ The Scheme Implementation Agreement between AGI and LWB Shareholders;
- ▶ LWB shareholder information, as provided by LWB's Management;
- ▶ Details of the Company's Achievement Rights plan, including the balance of outstanding Achievement Rights;
- ▶ final draft Scheme Booklet for the Meeting;
- ▶ LWB's FY13 Budget and 10 year forecast model;
- ▶ discussions with LWB management and certain third party industry reports provided by management;
- ▶ various public disclosure documents lodged by LWB with the ASX, including public announcements in relation to the Scheme;
- ▶ information from LWB's website, [www.littleworldbeverages.com](http://www.littleworldbeverages.com);
- ▶ Various broker reports for LWB;
- ▶ Australian Bureau of Statistics Apparent Consumption of Alcohol Australia 2010/11
- ▶ Datamonitor, Consumer and Innovation Trends in Cider, 2012
- ▶ Davy Research, Davy on Food and Beverages, 9 May 2012
- ▶ MarketLine, Craft Beers in the US and UK Case Study, January 2011
- ▶ IBISWorld, Beer and Malt Manufacturing in Australia, May 2012
- ▶ First Research, Breweries, 30 January 2012
- ▶ ASIC Regulatory Guides;
- ▶ Reuters;
- ▶ Capital IQ;
- ▶ IBISWorld;
- ▶ Thompson Research;
- ▶ the Corporations Act and the Regulations;
- ▶ DatAnalysis; and
- ▶ other publicly available information.

# Annexure A - Independent Expert's Report (continued)



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## Appendix G Glossary

Abbreviation	Full Title / Description
30JunXX	30 June 20XX
A\$	Australian dollar
Achievement Rights	The 237,058 achievement rights on issue as at the date of the announcement date of the transaction
Act	Corporations Act
AGI	Anglo-Gaelic Investments Pty Ltd
Anadolu Efes	Anadolu Efes Biracilik ve Malt Sanayii A.S.
APB	Asia Pacific Breweries Ltd
Asahi	Asahi Group Holdings, Ltd
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Big Rock	Big Rock Brewery Inc.
Bintang	PT Multi Bintang Indonesia Tbk
Brick Brewing	Brick Brewing Co. Ltd.
CAPM	Capital Asset Pricing Model
CBA	Commonwealth Bank of Australia
Coopers	Coopers Brewery Limited
Craft Brew	Craft Brew Alliance, Inc.
DCF	Discounted cash flow
DCF Model	The DCF model prepared by Ernst & Young Transaction Advisory Services
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
Eichhof	Eichhof Holding AG
Einbecker	Einbecker Brauhaus AG
Ernst & Young Transaction Advisory Services, we, us, our	Ernst & Young Transaction Advisory Services Limited
EV	Enterprise value
FEMSA	FEMSA Cerveza
FIRB	Federal Investment Review Board
Flavoured Beverages	Flavoured Beverages Group Holdings
Foster's	Foster's Group Limited
FSG	Financial Services Guide
FYXX	30 June 20XX
Gage Roads	Gage Roads Brewing Co. Ltd
Heineken	Heineken N.V.
Implementation Date	The day after the Scheme becomes effective
Independent Liquor	Independent Liquor Group
IPO	Initial Public Offering
JBS	James Boag & Son Pty Ltd
Kirin	Kirin Holdings Company Limited
Kulmbacher	Kulmbacher Brauerei AG
Lion	Lion Pty Ltd
Lion Nathan	Lion Nathan Ltd
LTM	Last 12 months
LWB Model	Model containing the FY13 budget and forecast to FY21 provided by LWB Management
LWB or the Company	Little World Beverages Limited
LWB Shareholders	LWB shareholders other than AGI
m	Million
Meeting	General meeting of LBW that is to be held on or about 17 September 2012
Mendocino	Mendocino Brewing Co. Inc.
Model	DCF Model
Molson Coors	Molson Coors Brewing Company

Abbreviation	Full Title / Description
National Foods	National Foods Limited
Non-Lion Directors	The Directors of LWB not associated with Lion
NPAT	Net profit after tax
NPV	Net Present Value
Options	The 3,000,000 options on issue as at the date of the announcement date of the transaction
Ottakringer	Ottakringer Getranke AG
Regulations	Corporations Regulations 2001
Report	Independent Expert's Report
RG 111	ASIC Regulatory Guide 111: Content of expert reports
SABMiller	SABMiller plc
Scheme	Scheme of arrangement whereby AGI has proposed to acquire all the ordinary shares in LWB it does not already own
Scheme Consideration	Cash consideration of \$5.30 per LWB share, less any dividends paid from 18 June 2012 to the Implementation Date, up to a maximum of \$0.20 per share.
SIA	Scheme Implementation Agreement between AGI and LWB
Special Dividend	Any dividends paid from between 18 June 2012 and the Implementation Date up to a maximum of \$0.20 per LWB share
StarBev	StarBev LP
WACC	Weighted average cost of capital

# Annexure A - Independent Expert's Report (continued)



**Ernst & Young Transaction  
Advisory Services Limited**  
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## THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

17 July 2012

### PART 2 - FINANCIAL SERVICES GUIDE

#### 1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

#### 2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

#### 3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ Financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ Arranging to deal in securities.

#### 4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

#### 5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

#### 6. Associations with product issuers



Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

**7. Responsibility**

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

**8. Complaints process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

**9. Compensation Arrangements**

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of Section 912B of the Corporations Act 2001.

<b>Contacting Ernst &amp; Young Transaction Advisory Services</b> AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000  Telephone: (02) 9248 5555	<b>Contacting the Independent Dispute Resolution Scheme:</b> Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

# Annexure B - Scheme of Arrangement

Freehills

## Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

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**Little World Beverages Limited**

ABN 25 081 128 255 of 1/7 Jones Street, O'Connor, Western Australia

**(LWB)**

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Each person who is a LWB Shareholder as at the Scheme Record Date, other than an Excluded Shareholder.

**(Scheme Participant)**

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## 1 Definitions, interpretation and scheme components

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### 1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

### 1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

### 1.3 Scheme components

This Scheme includes any schedule to it.

## 2 Preliminary matters

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- (a) LWB is a public company limited by shares, registered in Western Australia, and has been admitted to the official list of ASX.
- (b) As at 13 August 2012:
  - (1) 68,241,176 LWB Shares were on issue and officially quoted on ASX; and
  - (2) 146,479 Achievement Rights were on issue and were not quoted on any stock exchange.
- (c) Lion is an unlisted proprietary company limited by shares, registered in Victoria.
- (d) If this Scheme becomes Effective:
  - (1) Lion will pay or procure the payment of the Scheme Consideration to Scheme Participants in accordance with this Scheme and the Deed Poll; and

- (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date (other than the right to receive the Special Dividend to the extent that the Special Dividend is determined by the LWB Board), will be transferred to Lion and LWB will enter the name of Lion in the LWB Register in respect of the Scheme Shares.
- (e) LWB and Lion have agreed, by executing the Scheme Implementation Agreement, to implement this Scheme.
- (f) This Scheme attributes actions to Lion but does not itself impose an obligation on it to perform those actions. Lion has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the obligation to pay or procure the payment of the Scheme Consideration to the Scheme Participants in accordance with this Scheme and the Deed Poll.

### 3 Conditions

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#### 3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in Schedule 1 to the Scheme Implementation Agreement (other than the condition relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Second Court Date;
- (b) the Scheme Implementation Agreement and the Deed Poll not having been terminated in accordance with their respective terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to LWB and Lion;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to LWB and Lion; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act.

#### 3.2 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance its terms, unless LWB and Lion otherwise agree in writing.

#### 3.3 Certificate

- (a) LWB and Lion will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their respective knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived as at 8:00am on the Second Court Date.
- (b) The certificate referred to in clause 3.3(a) constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

# Annexure B - Scheme of Arrangement (continued)

## 4 Implementation of this Scheme

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### 4.1 Lodgement of Court orders with ASIC

LWB will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as LWB and Lion agree in writing.

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date (other than the right to receive the Special Dividend to the extent that the Special Dividend is determined by the LWB Board), will be transferred to Lion, without the need for any further act by any Scheme Participant (other than acts performed by LWB as attorney and agent for Scheme Participants under clause 8.5), by:
- (1) LWB delivering to Lion a duly completed Scheme Transfer, executed on behalf of the Scheme Participants by LWB, for registration; and
  - (2) Lion duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to LWB for registration; and
- (b) as soon as practicable following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), LWB must enter, or procure the entry of, the name of Lion in the LWB Register in respect of all the Scheme Shares transferred to Lion in accordance with this Scheme.

### 4.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Lion of the Scheme Shares in accordance with clause 4.2, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 5.

## 5 Scheme Consideration

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### 5.1 Provision of Scheme Consideration

- (a) Lion must, and LWB must use its best endeavours to procure that Lion shall, by no later than two Business Days before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Participant, into an Australian dollar denominated trust account operated by LWB as trustee for the Scheme Participants, details of which have been provided by LWB to Lion on or before the date which is 5 Business Days before the Implementation Date (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Lion's account).
- (b) On the Implementation Date, subject to funds having been deposited in the trust account operated by LWB in accordance with clause 5.1(a), LWB must pay or procure the payment from the trust account referred to in clause 5.1(a) of an amount equal to the Scheme Consideration for each Scheme Share transferred to Lion on the Implementation Date by that Scheme Participant.

- (c) The obligations of LWB under clause 5.1(b) will be satisfied by LWB (in its absolute discretion):
- (1) where a Scheme Participant has, before the Scheme Record Date, made a valid election in accordance with the requirements of the LWB Registry to receive dividend payments from LWB by electronic funds transfer to a bank account nominated by the Scheme Participant, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
  - (2) otherwise, whether or not the Scheme Participant has made an election referred to in clause 5.1(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Participant by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).

## 5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the LWB Register as at the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme will be sent to the holder whose name appears first in the LWB Register as at the Scheme Record Date.

## 5.3 Unclaimed monies

- (a) LWB may cancel a cheque issued under this clause 5 if the cheque:
  - (1) is returned to LWB; or
  - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request from a Scheme Participant, LWB must reissue a cheque that was previously cancelled under this clause.

## 5.4 Orders of a court

If:

- (a) written notice is given to LWB (or the LWB Registry) of an order made by a court of competent jurisdiction that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant by LWB in accordance with this clause 5, then LWB shall be entitled to procure that payment is made in accordance with that order; or
- (b) written notice is given to LWB (or the LWB Registry) of an order made by a court of competent jurisdiction that prevents LWB from making a payment to any particular Scheme Participant in accordance with clause 5.1(c), or such payment is otherwise prohibited by applicable law, LWB shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or otherwise by law.

# Annexure B - Scheme of Arrangement (continued)

## 6 Dealings in LWB Shares

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### 6.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in LWB Shares or other alterations to the LWB Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the LWB Register as the holder of the relevant LWB Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the LWB Register is kept,

and LWB will not accept for registration, or recognise for any purpose (except a transfer to Lion pursuant to this Scheme and any subsequent transfer by Lion or its successors in title), any transfer or transmission application or other request in respect of LWB Shares received after such times, or received prior to such times but not in registrable or actionable form.

### 6.2 Register

- (a) LWB must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) on or before the Scheme Record Date, provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires LWB to register a transfer that would result in a LWB Shareholder holding a parcel of LWB Shares that is less than a 'marketable parcel' (and, for the purposes of this clause 6.2(a), 'marketable parcel' has the meaning given in the Operating Rules of the ASX).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date in any way except as set out in this Scheme and any such disposal will be void and have no legal effect whatsoever.
- (c) For the purpose of determining entitlements to the Scheme Consideration, LWB must maintain the LWB Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Participants. The LWB Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) Subject to the provision of the Scheme Consideration and the registration of the transfer to Lion contemplated under clauses 4.2 and 5.1, all statements of holding for LWB Shares (other than statements of holding in favour of Lion or any Excluded Shareholder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the LWB Register (other than entries on the LWB Register in respect of Lion or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the LWB Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, LWB will ensure that details of the names, Registered Addresses and holdings of LWB Shares for each Scheme Participant as shown in the LWB Register are available to Lion in the form Lion reasonably requires.

## 7 Quotation of LWB Shares

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- (a) LWB will apply to ASX to suspend trading on ASX in LWB Shares with effect from the close of trading on the Effective Date.

- (b) On a date after the Implementation Date to be determined by Lion, LWB will apply:
  - (1) for termination of the official quotation of LWB Shares on the ASX; and
  - (2) to have itself removed from the official list of the ASX.

## 8 General Scheme provisions

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### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) LWB may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Lion has consented; and
- (b) each Scheme Participant agrees to any such alterations or conditions which counsel for LWB has consented to.

### 8.2 Scheme Participants' agreements and warranties

- (a) Each Scheme Participant:
  - (1) agrees to the transfer of their LWB Shares together with all rights and entitlements attaching to those LWB Shares (other than the right to receive the Special Dividend to the extent that the Special Dividend is determined by the LWB Board) in accordance with this Scheme;
  - (2) agrees to the variation, cancellation or modification of the rights attached to their LWB Shares constituted by or resulting from this Scheme; and
  - (3) acknowledges that this Scheme binds LWB and all Scheme Participants (including those who did not attend the Scheme Meeting, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting).
- (b) Each Scheme Participant is taken to have warranted to LWB and Lion, and appointed and authorised LWB as its attorney and agent to warrant to Lion, that all their LWB Shares (including any rights and entitlements attaching to those shares other than the right to receive the Special Dividend, to the extent that the Special Dividend is determined by the LWB Board) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their LWB Shares to Lion together with any rights attaching to those shares (other than the right to receive the Special Dividend, to the extent that the Special Dividend is determined by the LWB Board). LWB undertakes that it will provide such warranty to Lion as agent and attorney of each Scheme Participant.

### 8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares other than the right to receive the Special Dividend, to the extent that the Special Dividend is determined by the LWB Board) transferred under this Scheme to Lion will, at the time of transfer of them to Lion, vest in Lion free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

# Annexure B - Scheme of Arrangement (continued)

- (b) Immediately upon the provision of the Scheme Consideration in the manner contemplated by clause 5, Lion will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by LWB of Lion in the LWB Register as the holder of the Scheme Shares.

## **8.4 Appointment of sole proxy**

Immediately upon the provision of the Scheme Consideration in the manner contemplated by clause 5, and until LWB registers Lion as the holder of all Scheme Shares in the LWB Register, each Scheme Participant:

- (a) is deemed to have appointed Lion as attorney and agent (and directed Lion in each such capacity) to appoint any director, officer, secretary or agent nominated by Lion as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) undertakes not to attend or vote at any of shareholders' meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Lion reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Lion and any director, officer, secretary or agent nominated by Lion under clause 8.4(a) may act in the best interests of Lion as the intended registered holder of the Scheme Shares.

## **8.5 Authority given to LWB**

Each Scheme Participant, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints LWB and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Lion, and LWB undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Lion on behalf of and as agent and attorney for Scheme Participants; and
- (b) on the Implementation Date, irrevocably appoints LWB and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,  
and LWB accepts each such appointment. LWB, as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

## **8.6 Binding effect of Scheme**

This Scheme binds LWB and all of the Scheme Participants (including those who did not attend the Scheme Meeting, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of LWB.



## 9 General

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### 9.1 Stamp duty

Lion will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Participant against any liability arising from Lion's failure to comply with clause 9.1.

### 9.2 Consent

Each of the Scheme Participants consents to LWB doing all things necessary or incidental to the implementation of this Scheme.

### 9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to LWB, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at LWB's registered office or at the office of the LWB Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a LWB Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### 9.4 Governing law

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

### 9.5 Further action

LWB must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

# Annexure B - Scheme of Arrangement (continued)

Freehills

## Schedule 1

### Definitions and interpretation

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#### 1 Definitions

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The meanings of the terms used in this Scheme are set out below.

<b>Term</b>	<b>Meaning</b>
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Business Day</b>	a day that is not a Saturday, Sunday, public holiday or bank holiday in Perth, Western Australia or in Sydney, New South Wales.
<b>CHESS</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).
<b>Court</b>	the Federal Court of Australia (Western Australia registry), or such other court of competent jurisdiction under the Corporations Act agreed in writing by LWB and Lion.
<b>Deed Poll</b>	the deed poll substantially in the form of Attachment 1 under which Lion covenants in favour of the Scheme Participants to perform its obligations under this Scheme.
<b>Effective</b>	when used in relation to this Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

<b>Term</b>	<b>Meaning</b>
<b>Effective Date</b>	in relation to this Scheme means the date on which this Scheme becomes Effective.
<b>End Date</b>	the date which is 6 months from the date of the Scheme Implementation Agreement or such other date as Lion and LWB agree.
<b>Excluded Shareholder</b>	any LWB Shareholder who is Lion or a related body corporate of Lion.
<b>Government Agency</b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
<b>Implementation Date</b>	the fifth Business Day following the Scheme Record Date or such other date as is agreed by Lion and LWB.
<b>Lion</b>	Anglo-Gaelic Investments Pty Ltd ABN 32 085 204 182 of Level 7, 68 York Street, Sydney, New South Wales.
<b>Listing Rules</b>	the official listing rules of the ASX.
<b>LWB Option</b>	an option to acquire a LWB Share.
<b>LWB Register</b>	the register of members of LWB maintained by or on behalf of LWB in accordance with section 168(1) of the Corporations Act.
<b>LWB Registry</b>	Security Transfers Registrars Pty Ltd ABN 95 008 894 488.
<b>LWB Share</b>	an issued fully paid ordinary share in the capital of LWB.
<b>LWB Shareholder</b>	each person who is registered in the LWB Register as a holder of LWB Shares.
<b>Registered Address</b>	in relation to a LWB Shareholder, the address shown in the LWB Register in respect of that LWB Shareholder as at the Scheme Record Date.
<b>Scheme</b>	this scheme of arrangement subject to any alterations or conditions made or

# Annexure B – Scheme of Arrangement (continued)

<b>Term</b>	<b>Meaning</b>
	required by the Court under section 411(6) of the Corporations Act and agreed to by LWB and Lion.
<b>Scheme Consideration</b>	the amount of A\$5.30 per LWB Share less the amount of any dividend(s) declared or determined to be payable, or paid, by LWB in respect of LWB Shares (including the Special Dividend) from the date of the Scheme Implementation Agreement up to and including the Implementation Date.
<b>Scheme Implementation Agreement</b>	the scheme implementation agreement dated 17 June 2012 between LWB and Lion relating to the implementation of this Scheme.
<b>Scheme Meeting</b>	the meeting of the LWB Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which LWB Shareholders will vote on this Scheme.
<b>Scheme Participant</b>	each person who is a LWB Shareholder as at the Scheme Record Date, other than an Excluded Shareholder.
<b>Scheme Record Date</b>	7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as LWB and Lion agree.
<b>Scheme Shares</b>	all LWB Shares held by Scheme Participants as at the Scheme Record Date and for the avoidance of doubt includes any LWB Shares issued on or before the Scheme Record Date, including upon the exercise of any LWB Achievement Rights.
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Lion as transferee, which may be a master transfer of all or part of the Scheme Shares.
<b>Second Court Date</b>	the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.
<b>Special Dividend</b>	a dividend of up to A\$0.20 per LWB Share paid in accordance with the terms of the Scheme Implementation Agreement.

## 2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them;
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Perth, Western Australia;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
  - (1) which ceases to exist; or
  - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

### 3 Interpretation of inclusive expressions

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Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

### 4 Business Day

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Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

## Annexure B - Scheme of Arrangement (continued)

Freehills

Attachment 1

Deed Poll

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[Deed Poll as set out in Annexure C to Scheme Booklet]

# Annexure C - Deed poll

## Freehills

### Deed poll

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Date ► [insert date]

This deed poll is made

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by

**Anglo-Gaelic Investments Pty Ltd**

ABN 32 085 204 182 of Level 7, 68 York Street, Sydney, New South Wales

**(Lion)**

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in favour of

each person who is a LWB Shareholder as at the Scheme Record Date, other than an Excluded Shareholder.

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Recitals

- 1 The directors of LWB have resolved that LWB should propose the Scheme. The effect of the Scheme will be that all Scheme Shares will be transferred to Lion.
  - 2 LWB and Lion entered into the Scheme Implementation Agreement.
  - 3 In the Scheme Implementation Agreement, Lion agreed to enter into this deed poll.
  - 4 Lion is entering into this deed poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations in relation to the Scheme.
- 

This deed poll provides as follows:

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## 1 Definitions and interpretation

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### 1.1 Definitions

- (a) In this deed poll, **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between LWB and the Scheme Participants under which all the Scheme Shares will be transferred to Lion, the form of which is set out in Attachment 1 to this deed poll, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Lion and LWB in accordance with clause 8.1 of the Scheme.
- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

# Annexure C - Deed poll (continued)

## Freehills

## 2 Conditions to obligations

### 1.2 Interpretation

Section 2 of Schedule 1 to the Scheme applies to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

### 1.3 Nature of deed poll

Lion acknowledges that this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it.

## 2 Conditions to obligations

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### 2.1 Conditions

The obligations of Lion under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

The obligations of Lion under this deed poll will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date.

### 2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Lion is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Participant retains the rights they have against Lion in respect of any breach of this deed poll which occurred before it was terminated.

## 3 Scheme obligations

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### 3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Lion undertakes in favour of each Scheme Participant to:

- (a) deposit in cleared funds by no later than two Business Days before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants under the Scheme into the Australian dollar denominated trust account operated by LWB as trustee for the Scheme Participants, details of which have been provided to Lion by LWB in accordance with the Scheme, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Lion's account;
- (b) comply with its obligations under the Scheme Implementation Agreement and do all things necessary or expedient on its part to give full effect to the Scheme; and
- (c) undertake all other actions attributed to it under the Scheme,



subject to and in accordance with the provisions of the Scheme.

## 4 Warranties

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Lion represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of the constitution of Lion, or any writ, order or injunction, judgment, law, rule or regulation to which either is a party or subject or by which it is bound.

## 5 Continuing obligations

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This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Lion has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

## 6 Notices

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### 6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Lion in accordance with the details set out below (or any alternative details nominated by Lion by Notice).

<b>Attention</b>	Company Secretary
<b>Address</b>	Level 7, 68 York Street Sydney NSW 2000
<b>Fax no</b>	+61 8 9338 8500

# Annexure C - Deed poll (continued)

## 6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By fax to the nominated fax number	At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety.  However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.

## 7 General

### 7.1 Stamp duty

Lion:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnifies each Scheme Participant against any liability arising from Lion's failure to comply with clause 7.1(a).

### 7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Western Australia.
- (b) Lion irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Lion irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

**7.3 Waiver**

Lion may not rely on the words or conduct of any Scheme Participant as a waiver of any right unless the waiver is in writing and signed by the Scheme Participant granting the waiver.

The meanings of the terms used in this clause 7.3 are set out below.

<b>Term</b>	<b>Meaning</b>
<b>conduct</b>	includes delay in the exercise of a right.
<b>right</b>	any right arising under or in connection with this deed and includes the right to rely on this clause.
<b>waiver</b>	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

**7.4 Variation**

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by LWB; or
- (b) if on or after the First Court Date, the variation is agreed to by LWB and the Court indicates that the variation would not of itself preclude approval of the Scheme, in which event Lion will enter into a further deed poll in favour of the Scheme Participants giving effect to the variation.

**7.5 Cumulative rights**

The rights, powers and remedies of Lion and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

**7.6 Assignment**

- (a) The rights created by this deed poll are personal to Lion and each Scheme Participant and must not be dealt with at law or in equity without the prior written consent of Lion.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

**7.7 Further action**

Lion must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

# Annexure C - Deed poll (continued)

## Freehills

### Attachment 1

#### Scheme

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[Scheme as set out in Annexure B to Scheme Booklet]

Signing page

Executed as a deed poll

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Signed, sealed and delivered by  
**Anglo-Gaelic Investments Pty Ltd**  
by

*sign here* ▶ \_\_\_\_\_  
Company Secretary/Director

*print name* \_\_\_\_\_

*sign here* ▶ \_\_\_\_\_  
Director

*print name* \_\_\_\_\_

# Annexure D - Notice of Scheme Meeting

## Little World Beverages Limited ('LWB')

**ABN 25 081 128 255**

Notice is given that, by an order of the Federal Court pursuant to section 411(1) of the Corporations Act, a meeting of LWB Shareholders (other than AGI Shareholders) will be held at the Little Creatures Loft, 42 Mews Road, Fremantle, Western Australia on Monday, 17 September 2012, commencing at 4:30pm (Perth time).

### **Purpose of the Scheme Meeting**

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which LWB and AGI agree) proposed to be made between LWB and LWB Shareholders (other than AGI) (the Scheme).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

### **Resolution**

The Scheme Meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **Resolution**):

*'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Little World Beverages Limited and the holders of its ordinary shares (other than certain excluded shareholders), as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Federal Court to which Little World Beverages Limited and Anglo-Gaelic Investments Pty Ltd agree.'*

### **Chairman**

The Court has directed that Ian Cochrane is to act as Chairman of the Scheme Meeting (and that, if Ian Cochrane is unable or unwilling to attend, David Martin is to act as Chairman of the Scheme Meeting) and has directed the Chairman to report the result of the Resolution to the Court.

### **Explanatory notes**

LWB Shareholders are referred to the explanatory notes accompanying and forming part of this notice of meeting.

### **By order of the Court and the LWB Board**



Jason Markwart  
Company Secretary  
13 August 2012

# Explanatory notes

## 1. General

This notice of meeting relates to the Scheme and should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Resolution.

A copy of the Scheme is set out in Annexure B of the Scheme Booklet and a summary of the Scheme is set out in section 6.

Capitalised terms used but not defined in this notice have the defined meanings set out in section 13 of the Scheme Booklet, unless the context otherwise requires.

## 2. Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of Non-AGI Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate LWB Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution (either in person or by proxy, attorney or, in the case of corporate LWB Shareholders, body corporate representative).

## 3. Court approval

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Resolution is agreed to by the Requisite Majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, LWB intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

## 4. Entitlement to vote

The time for determining eligibility to vote at the Scheme Meeting is 4:30pm (Perth time) on 15 September 2012. Only those LWB Shareholders (other than AGI Shareholders) entered on the LWB Register at that time will be entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney, or in the case of a corporate LWB Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to LWB Shareholders entitled to attend and vote at the Scheme Meeting.

## 5. How to vote

Voting will be conducted by poll.

If you are a LWB Shareholder entitled to vote at the Scheme Meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this Scheme Booklet;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

## 6. Attendance

If you or your proxies, attorneys or representative(s) plan to attend the Scheme Meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the LWB Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

## Explanatory notes – (continued)

### 7. Jointly held securities

If you hold LWB Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the LWB Register will be counted.

See also the comments in paragraph 8.2 below regarding the appointment of a proxy by persons who jointly hold LWB Shares.

### 8. Voting

#### 8.1 Voting in person

To vote in person, you must attend the Scheme Meeting.

Eligible LWB Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

#### 8.2 Voting by proxy

You may appoint one or two proxies. Your proxy need not be another LWB Shareholder. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed proxy form to the LWB Registry 4:30pm (Perth time) on 15 September 2012 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- (a) by post to the LWB Registry:  
Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953
- (b) by hand delivery to the LWB Registry:  
Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153
- (c) by fax to the LWB Registry on +61 8 9315 2233

Proxy forms received after this time will be invalid.

If a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the LWB Registry.

If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the LWB Registry. Replacement proxy forms can also be obtained from the LWB Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold LWB Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the proxy form.



You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairman of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chairman of the meeting intends to vote all valid undirected proxies which nominate the Chairman in favour of the Resolution, in the absence of a Superior Proposal.

Proxies of eligible LWB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

### 8.3 Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Your attorney need not be another LWB Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, LWB), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged at the registration desk on the day of the meeting or with the LWB Registry by 4:30pm (Perth time) on 15 September 2012 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- by post to the LWB Registry:  
Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953
- by hand delivery to the LWB Registry:  
Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153
- by fax to the LWB Registry on +61 8 9315 2233

Attorneys of eligible LWB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointers.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

## Explanatory notes - (continued)

### 8.4 Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that LWB will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the LWB Registry by calling +61 8 9213 2233. The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or with the LWB Registry before 4:30pm (Perth time) on 15 September 2012 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) by post to the LWB Registry:

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953

(b) by hand delivery to the LWB Registry:

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

(c) by fax to the LWB Registry on +61 8 9315 2233

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the LWB Registry.

Body corporate representatives of eligible LWB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointers.

### 9 Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from LWB's website ([www.littleworldbeverages.com](http://www.littleworldbeverages.com)) or by contacting the Company Secretary of LWB or the LWB Registry.

# Corporate directory

## Little World Beverages Limited

1/7 Jones Street  
O'Connor WA 6163  
Website: [www.littleworldbeverages.com](http://www.littleworldbeverages.com)

Telephone: +61 8 9338 8500  
Fax: +61 8 9338 8585

## LWB Share Registry

### Security Transfers Registrars Pty Ltd

770 Canning Highway  
Applecross WA 6153

Telephone: +61 8 9315 2333  
Fax: +61 8 9315 2233

## Financial Adviser

### Gresham Advisory Partners Limited

Level 3, 28 The Esplanade  
Perth WA 6000

## Australian Legal Adviser

### Freehills

Level 36, QV.1 Building  
250 St Georges Terrace  
Perth WA 6000

## Tax Adviser

### Greenwoods & Freehills

Level 36, QV.1 Building  
250 St Georges Terrace  
Perth WA 6000

## Little World Beverages Limited

ABN 25 081 128 225

40 Mews Road, Fremantle WA 6160

**T:** + 61 8 9338 8500 **F:** +61 8 9338 8585

**W:** [www.littleworldbeverages.com](http://www.littleworldbeverages.com)