BREWTOPIA LIMITED
ABN 85 099 912 044

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006

BREWTOPIA LIMITED
ABN 85 099 912 044

CONTENTS

BREWTOPIA LIMITED
ABN 85 099 912 044

CORPORATE GOVERNANCE STATEMENT

BOARD COMPOSITION AND MEMBERSHIP

The number of directors must consist of no fewer than three and no more than seven.
As at the date of this report the board consisted of two executive directors (L A Mulhall – CEO, L G Hedges - Managing Director) and one non-executive director (M Flack)

The directors have elected Mr. Mulhall as Chairman. Individual details of directors, including their skills and experience, are set out in the Directors' Report.

DIRECTORS' ARRANGEMENTS

The Company's constitution provides that a director may hold office in any other entity that the Company deals with, with the exception of acting in the capacity of external auditor. Each director must disclose their interests in any other entities with whom the Company deals.

It is the practice of the board that when a conflict of interest or a potential conflict of interest exists, the director concerned withdraws from that part of the meeting whilst the matter is being considered. At the discretion of the other board members and depending on the degree to which a conflict exists, the director concerned may be able to be present during discussions but cannot vote or exert influence over other members of the board.

REMUNERATION OF DIRECTORS

The total remuneration of non-executive directors is determined at a general meeting. Any increase must be approved at a general meeting provided notice of any suggested increase has been given when the meeting was convened. Once total non-executive directors' fees have been determined at a general meeting, the directors determine the amount to be paid to each non-executive director. Executive directors are not entitled to receive directors' fees.

Any director who devotes special attention to the business of the Company, or who otherwise performs services, which in the opinion of other directors are outside the scope of ordinary duties, may be paid such extra remuneration as the directors may determine.
All directors are entitled to be reimbursed for any out-of-pocket expenses incurred by them whilst engaged on the business of the Company.

Further details regarding the Company's remuneration policy are dealt with in the Directors' Report.

SHARE TRADING POLICY

The Company's share trading policy regulates dealings by the Company's directors, employees and personally related entities of directors and employees in any securities issued by the Company.

The purpose of the policy is to ensure that the Company's directors and employees are aware of the legal restrictions on trading any securities issued by the Company while such a person is in possession of unpublished price sensitive information. Additionally, the policy is intended to minimise the chance that misunderstandings or suspicions may arise if the Company's directors or employees are trading in securities while it is reasonable to assume that they may be in possession of price sensitive information. The policy recognises that it may be illegal to trade in the Company's securities while in possession of unpublished price sensitive information.

BREWTOPIA LIMITED
ABN 85 099 912 044

CORPORATE GOVERNANCE STATEMENT

AUDIT COMMITTEE

The company has not established an audit committee at 30 June 2006 due to the current size of the company. Any matters of an audit nature are discussed with the external auditors. It is the intention of the board to establish an audit committee when the company reaches a size for the establishment to be cost effective.

RISK MANAGEMENT

The board is ultimately responsible for the management and performance of the Company. The board considers the management of risk as one of its key responsibilities. The following processes or procedures have been established to curtail or prevent the occurrence of risks within the Company's operations.

- The establishment of a Credit Management Cell which approves all finance applications. As part of this process, staff cannot unilaterally approve finance applications. Sales functions are separated from credit functions which further strengthens the approval process.
- The establishment of a detailed Credit Policy which stipulates the type of financing activities the Company will participate in. This policy is regularly reviewed to ensure it remains relevant.
- The establishment of a Security Register that details specific information in relation to certain types of securities that are held.
- Periodic audit of our information technology systems which includes the identification and rectification of any potential weaknesses that may exist within the constraints of an organisation of this size.

AUDIT

External Auditor

The board is responsible for the selection and appointment of the external auditor. To ensure the independence of the auditor, the Company will not use the services of the external auditor in a capacity that may jeopardize this independence.

CONTINUOUS DISCLOSURE AND REPORTING

The Company is aware of its responsibilities in relation to continuous disclosure as required by the *Corporations Act 2001*. Directors are also aware of their disclosure obligations at board meetings to keep the Company informed of any matters that are of a serious or significant nature that other directors should be aware of. The outcomes of discussions at board meeting are recorded in the Company's minutes.

BREWTOPIA LIMITED
ABN 85 099 912 044

DIRECTORS' REPORT

The directors present this report on the company for the financial year ended 30 June 2006.

The following persons held office of director during the year or since the end of the year;

Anthony Paul Moran (Resigned 12 July 2006)
Liam Anthony Mulhall
Lawrence Hedges
Mark Kevin Flack (Appointed 12 July 2006)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The loss of the company for the financial year after providing for income tax amounted to $119,674.

During the financial year the company listed on the Newcastle Stock Exchange. Net proceeds of $571,331 after listing costs were raised from the issue. The proceeds are to be used for the continued expansion of operations.

The principal activities of the company during the financial year were that of marketing and distribution of beer.

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

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to Australian equivalents to IFRS is included in Note 2 to this report.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the result of those operations, or the state of affairs of the entity in future financial years.

Likely developments in the operations of the entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the entity.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividends were paid during the year and no recommendation is made as to the dividends.

The director does not recommend the payment of a dividend.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

BREWTOPIA LIMITED
ABN 85 099 912 044

DIRECTORS' REPORT

Information on Directors and Company Secretary

Liam A Mulhall **Director**

Qualifications - Bachelor of Business

Experience - Founder of the company, Mr Mulhall also co founded Mustangs Alley, an Australian importer of sports and classic cars. He also established the first channel and technical training partners for Cisco Systems.

Interests in shares - 897,961

Special Responsibilities - Chief Executive Officer

Directorships in other listed entities - None

Lawrence Hedges **Director and Company Secretary**

Qualifications - Bachelor of Electrical Engineering

Experience - Mr Hedges ran his own contracting firm in the UK. He then moved to Australia where he took up the position of Regional Vice President of Storage/Security with Computer Associates.

Interests in shares - 899,960

Special Responsibilities - Managing Director and acts as the Company Secretary

Directorships in other listed entities - None

Mark Kevin Flack **Director**

Qualifications - Australian Society of Certified Practising Accountants

Experience - Appointed to the board in July 2006. Mr Flack has also held a directorship in an Australian Listed company Affiance Group Limited since December 2000.

Interests in shares - Nil

Special Responsibilities - Mr Flack now consults to the company in the areas of marketing, business development and strategy

Directorships in other listed entities - Affiance Group Limited

Meetings of Directors

During the year there were 5 meetings of directors held. Attendances by each director during the year were as follows:

	Directors Meeting	
	Number eligible to attend	Number Attended
Liam A Mulhall	5	5
Lawrence Hedges	5	5
Mark K Flack	1	1

BREWTOPIA LIMITED
ABN 85 099 912 044

DIRECTORS' REPORT

Remuneration Report

This report details the nature and amount of remuneration for each director of Brewtopia Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Brewtopia Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Brewtopia Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the economic entity's revenue, profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors receive their remuneration through management fees paid to related entities and therefore the company is not required to provide the superannuation guarantee contribution

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

BREWTOPIA LIMITED
ABN 85 099 912 044

DIRECTORS' REPORT

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The company believes this policy will be effective in increasing shareholder wealth.

The following table shows the gross revenue, results and dividends for the last four years for the listed entity, as well as the share price at the end of the respective financial years. The company was incorporated in 2003 and therefore no figures are available for 2002. Further the company did not list until the 2006 year and therefore share price details are not available for prior years. Analysis of the actual figures shows a significant increase in revenue. The company is still in its start up phase and continues to build its revenue streams.

	2006	**2005**	**2004**	**2003**
Revenue	1,117,475	300,585	229,116	2,102
Net Loss	(119,673)	(86,660)	(73,649)	(561)
Share Price at year end	$0.50	N/a	N/a	N/a
Dividends Paid	0 Cents	0 Cents	0 Cents	0 Cents

N/a – not applicable as the company did not list until the 2006 financial year

Details of remuneration for the year ended 30 June 2006

Directors	**Liam A Mulhall**	**Lawrence Hedges**	**Mark K Flack**
Management Fees paid to related entity	$57,876.63	$59,056.44	-
Monthly Retainer	-	-	$4,000.00
Number of shares issued upon listing	241,200	241,200	-
Market value of shares upon listing	$120,600.00	$120,600.00	-

AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BREWTOPIA LIMITED

Non-audit Services

The board of directors, in accordance with a directors' resolution, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:

	$
Interim financial reports review- December 2005	8,500.00
Workers compensation review	1,150.00
Goods and Services Tax Advice	2,500.00
Taxation and Accountancy assistance	5,750.00
	17,900.00
Reports for inclusion in prospectus	7,875.00 (included as listing costs)

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Board of Directors:

Director: ______________________________

Mark Kevin Flack

Director: ______________________________

Lawrence Hedges

Dated this 28th day of September 2006

AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
BREWTOPIA LIMITED

We hereby declare, that to the best of our knowledge and belief, during the financial year ended 30 June 2006 there have been no:

(i) contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Allworths
Chartered Accountants

Name of Partner: ______________________
Stephen N Armstrong FCA

Address: Level 9, 31 Market Street, Sydney.

Dated this 29th day of September 2006

BREWTOPIA LIMITED
ABN 85 099 912 044

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
Revenue	3	1,117,475.47	300,585.93
Changes in inventories of finished goods and work in progress		59,902.78	(809.12)
Raw materials and consumables used		(756,877.82)	(229,304.37)
Advertising expenses		(22,344.71)	(3,434.03)
Auditors' remuneration	4	(25,900.00)	(3,522.73)
Bad and doubtful debt expenses		(290.83)	-
Depreciation and amortisation expenses		(18,506.00)	(11,189.00)
Directors' fees		(116,933.07)	(33,038.19)
Employee benefits expenses		(154,892.86)	(23,333.70)
Other expenses		(201,306.50)	(79,592.29)
Loss before income tax	5	(119,673.54)	(83,637.50)
Accumulated losses at the beginning of the financial year		(157,848.40)	(74,210.90)
Loss attributable to members of the company		(277,521.94)	(157,848.40)
Basic earnings per share (cents per share)		(0.0644)	(0.0464)
Diluted earnings per share (cents per share)		(0.0644)	(0.0464)

BREWTOPIA LIMITED
ABN 85 099 912 044

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	**6**	407,218.06	44,719.70
Trade and other receivables	**7**	28,881.40	11,835.98
Inventories	**8**	64,973.18	5,070.40
Other current assets	**9**	11,285.97	-
TOTAL CURRENT ASSETS		512,358.61	61,626.08
NON-CURRENT ASSETS			
Property, plant and equipment	**10**	88,441.49	64,037.51
Intangible assets	**11**	30,488.49	7,558.49
TOTAL NON-CURRENT ASSETS		118,929.98	71,596.00
TOTAL ASSETS		631,288.59	133,222.08
CURRENT LIABILITIES			
Trade and other payables	**12**	143,648.26	31,865.18
Borrowings	**13**	67,923.68	67,556.30
Provisions	**14**	4,288.00	2,199.00
Other current liabilities	**15**	855.07	39,750.00
TOTAL CURRENT LIABILITIES		216,715.01	141,370.48
NON-CURRENT LIABILITIES			
Borrowings	**13**	35,712.70	41,867.33
Other non-current liabilities	**15**	-	22,781.36
TOTAL NON-CURRENT LIABILITIES		35,712.70	64,648.69
TOTAL LIABILITIES		252,427.71	206,019.17
NET ASSETS (LIABILITIES)		378,860.88	(72,797.09)
EQUITY			
Issued capital	**16**	656,382.82	85,051.31
Retained earnings	**17**	(277,521.94)	(157,848.40)
TOTAL EQUITY		378,860.88	(72,797.09)

The accompanying notes form part of these financial statements.

BREWTOPIA LIMITED
ABN 85 099 912 044

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Issued Capital $	Retained Earnings $	Total $
Balance at 1 July 2004		85,051.31	(74,210.90)	10,840.41
Profit attributable to equity shareholders		-	(83,637.50)	(83,637.50)
Balance at 30 June 2005		85,051.31	(157,848.40)	(72,797.09)
Profit attributable to equity shareholders		-	(119,673.54)	(119,673.54)
Shares issued		727,247.00	-	727,247.00
Listing costs		(155,915.49)	-	(155,915.49)
Balance at 30 June 2006		656,382.82	(277,521.94)	378,860.88

The accompanying notes form part of these financial statements.

BREWTOPIA LIMITED
ABN 85 099 912 044

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,061,639.80	329,939.46
Payments to suppliers and employees	(1,178,027.86)	(346,133.45)
Interest received	4,278.50	182.19
Income tax paid	(2,315.00)	-
Net cash provided by (used in) operating activities	(114,424.56)	(16,011.80)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(42,909.98)	(69,945.33)
Payment for Website Development	(22,930.00)	(7,558.49)
Net cash provided by (used in) investing activities	(65,839.98)	(77,503.82)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	571,331.51	-
Proceeds from borrowings	-	82,512.56
Repayment of borrowings	(28,568.61)	-
Proceeds from Hire Purchase	-	47,031.19
Net cash provided by (used in) financing activities	542,762.90	129,543.75
Net increase (decrease) in cash held	362,498.36	36,028.13
Cash at beginning of year	44,719.70	8,691.57
Cash at end of year	407,218.06	44,719.70

The accompanying notes form part of these financial statements.

1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report and it has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001.

The financial report is for an entity known as Brewtopia Limited as an individual entity, limited by shares. The company was incorporated and has its domicile in Australia.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. Unless otherwise stated, the accounting policies have been consistently applied.

Statement of Compliance

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the full-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

These financial statements are the first to be prepared in accordance with AIFRS.

As a result of adopting AASB 1, adjustments resulting from the introduction of AIFRS have been restated for the comparative year ending 30 June 2005 excluding optional exemptions allowed under AASB 1.

The transition from Australian GAAP to AIFRS has been reconciled and is shown in Note 2.

Unless otherwise stated, the accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 26 for further details.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets, financial liabilities and selected non-current assets for which the fair value basis of accounting has been applied.

Accounting Policies

Inventories

Inventories are measured at the lower of cost or net realisable value. Costs are allocated on either a first-in-first-out (FIFO) or average cost basis. Costs include direct labour, direct materials and an appropriate amount of fixed and variable overhead expenses.

Plant and Equipment

Each class of property, plant and equipment is carried at fair value or cost less any accumulated depreciation and impairment losses, where applicable.

Plant and Equipment

Plant and equipment are carried at either cost or at independent or directors' valuation, less any accumulated depreciation or amortisation applicable.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Plant and equipment is depreciated on a straight line basis and diminishing values at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10 - 37.5%

The estimated useful life for each class of depreciable asset are as follows:

Class of Fixed Asset	Useful Life
Motor Vehicles	6 years

The assets carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying account is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit and loss on disposal are determined by comparing proceeds with the carrying amount. These amounts are included in the income statement.

Leases

Finance leases, which transfer to the company substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Financial Instruments

Recognition

Financial instruments are initially recognised at cost on the trade date, which includes transaction costs, when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139. Unless designated as a hedge, derivatives are also categorised as held for trading. Realised and unrealised gains and losses arising from changes in the fair value is recognised in the income statement immediately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. It is the company's intention to hold these investments to maturity.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are brought to account at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Impairment

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. Impairment losses are recognised in the income statement.

Website Development Costs

Website development costs are valued at cost in the financial accounts and tested for impairment annually by the directors.

Employee Benefits

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made to employee superannuation funds and are charged as expenses when incurred. All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans or equivalent provide accumulated benefits. Contributions are made in accordance with the statutory requirements of each jurisdiction.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities under borrowings.

Revenue

Revenue from the sale of goods is recognised when the goods are delivered to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates relevant to the financial assets.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax, except:

(i) where the amount of GST incurred is not recoverable from the Australian Tax Office. It is recognised as part of the cost of acquisition of an asset or as part of an item of the expense.

(ii) receivables and payables are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Australian Accounting Standards or as a result of changes in accounting policy.

Critical accounting estimates and judgments

In preparing this financial report, the directors were required to make estimates and assumptions. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to the members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of potential shares assumed to have been issued which would dilute the number of ordinary shares.

BREWTOPIA LIMITED
ABN 85 099 912 044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 $	Effect of transition to Australian equivalents to IFRS $	Australian equivalents to IFRS at 1 July 2004 $
CURRENT ASSETS				
Cash and cash equivalents		8,691.57	-	8,691.57
Trade and other receivables		1,621.70	-	1,621.70
Inventories		4,955.52	-	4,955.52
TOTAL CURRENT ASSETS		15,268.79	-	15,268.79
NON-CURRENT ASSETS				
Property, plant and equipment		5,281.18	-	5,281.18
TOTAL NON-CURRENT ASSETS		5,281.18	-	5,281.18
TOTAL ASSETS		20,549.97	-	20,549.97
CURRENT LIABILITIES				
Trade and other payables		7,048.32	-	7,048.32
Borrowings		2,661.24	-	2,661.24
TOTAL CURRENT LIABILITIES		9,709.56	-	9,709.56
TOTAL LIABILITIES		9,709.56	-	9,709.56
NET ASSETS (LIABILITIES)		10,840.41	-	10,840.41
EQUITY				
Issued capital		85,051.31	-	85,051.31
Retained earnings		(74,210.90)	-	(74,210.90)
TOTAL EQUITY		10,840.41	-	10,840.41

BREWTOPIA LIMITED
ABN 85 099 912 044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Previous GAAP at 30 June 2005 $	Effect of transition to Australian equivalents to IFRS $	Australian equivalents to IFRS at 30 June 2005 $
Reconciliation of Equity at 30 June 2005				
CURRENT ASSETS				
Cash and cash equivalents		44,719.70	-	44,719.70
Trade and other receivables		11,835.98	-	11,835.98
Inventories		5,070.40	-	5,070.40
TOTAL CURRENT ASSETS		61,626.08	-	61,626.08
NON-CURRENT ASSETS				
Property, plant and equipment		64,037.51	-	64,037.51
Intangible assets		4,535.09	3,023.40	7,558.49
TOTAL NON-CURRENT ASSETS		68,572.60	3,023.40	71,596.00
TOTAL ASSETS		130,198.68	3,023.40	133,222.08
CURRENT LIABILITIES				
Trade and other payables		31,865.18	-	31,865.18
Borrowings		67,556.30	-	67,556.30
Provisions		2,199.00	-	2,199.00
Other current liabilities		39,750.00	-	39,750.00
TOTAL CURRENT LIABILITIES		141,370.48	-	141,370.48
NON-CURRENT LIABILITIES				
Borrowings		41,867.33	-	41,867.33
Other non-current liabilities		22,781.36	-	22,781.36
TOTAL NON-CURRENT LIABILITIES		64,648.69	-	64,648.69
TOTAL LIABILITIES		206,019.17	-	206,019.17
NET ASSETS (LIABILITIES)		(75,820.49)	3,023.40	(72,797.09)
EQUITY				
Issued capital		85,051.31	-	85,051.31
Retained earnings		(160,871.80)	3,023.40	(157,848.40)
TOTAL EQUITY		(75,820.49)	3,023.40	(72,797.09)

BREWTOPIA LIMITED
ABN 85 099 912 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Previous GAAP $	Effect of transition to Australian equivalents to IFRS $	Australian equivalents to IFRS $
Reconciliation of Profit or Loss for 2005				
Revenue		300,585.93	-	300,585.93
Changes in inventories of finished goods and work in progress		(809.12)	-	(809.12)
Raw materials and consumables used		(229,304.37)	-	(229,304.37)
Advertising expenses		(3,434.03)	-	(3,434.03)
Auditors' remuneration		(3,522.73)	-	(3,522.73)
Depreciation and amortisation expenses		(14,212.40)	3,023.40	(11,189.00)
Directors' fees		(33,038.19)	-	(33,038.19)
Employee benefits expenses		(23,333.70)	-	(23,333.70)
Other expenses		(79,592.29)	-	(79,592.29)
Loss before income tax		(86,660.90)	3,023.40	(83,637.50)
Income tax expense		-	-	-
Loss attributable to members of the company		(86,660.90)	3,023.40	(83,637.50)

BREWTOPIA LIMITED
ABN 85 099 912 044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	30 June 2005 $	1 July 2004 $
Notes to the reconciliations of equity and profit and loss at 30 June 2005 and 1 July 2004		
The Website costs were previously amortised under AGAAP. Under AASB 136 the value is tested annually for impairment.		
Adjustments to retained earnings comprise:		
	3,023.40	-
Total	3,023.40	-
Adjustments to depreciation and amortisation comprise:		
Amortisation added back	3,023.40	-
Total	3,023.40	-

		2006 $	2005 $
3	**Revenue**		
	Operating activities		
	Sale of goods	1,110,535.73	300,403.74
	Interest received	4,278.50	182.19
	Other revenue	2,661.24	-
	Total revenue	1,117,475.47	300,585.93
	Interest revenue from:		
	Interest Received on Bank Deposits	4,278.50	182.19
	Total interest revenue	4,278.50	182.19
4	**Auditors' Remuneration**		
	Auditor's Remuneration		
	Audit	8,000.00	3,000.00
	Other Services	17,900.00	522.73
		25,900.00	3,522.73
5	**Loss**		
	Expenses		
	Cost of sales	696,975.04	230,113.49
	Depreciation of property, plant and equipment	18,506.00	11,189.00
	Bad Debts Written Off	290.83	-
	Total bad and doubtful debts	290.83	-
6	**Cash and Cash Equivalents**		
	Current		
	Cash on Hand	51.31	51.31
	Deposits	-	3,385.91
	Security Deposit	3,209.90	-
	Cash at Bank	23,147.62	41,282.48
	Cash Management Account	380,809.23	-
		407,218.06	44,719.70

		2006 $	2005 $
	Reconciliation of cash		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
	Cash on Hand	51.31	51.31
	Deposits	-	3,385.91
	Security Deposit	3,209.90	-
	Cash at Bank	23,147.62	41,282.48
	Cash Management Account	380,809.23	-
		407,218.06	44,719.70
7	**Trade and Other Receivables**		
	Current		
	Sundry Debtors	270.36	201.36
	Trade Debtors	24,296.86	11,634.62
	Income Tax Refundable	2,315.00	-
	GST Refund Due	1,999.18	-
		28,881.40	11,835.98
8	**Inventories**		
	Current		
	At cost:		
	Stock on hand	64,973.18	5,070.40
9	**Other Current Assets**		
	Current		
	Prepayments	11,285.97	-

	2006 $	2005 $

10 Property, Plant and Equipment

	2006 $	2005 $
Plant & Equipment	53,795.31	10,885.33
Less: Accumulated Depreciation	(12,126.00)	(3,678.00)
	41,669.31	7,207.33
Motor Vehicles	65,372.18	65,372.18
Less: Accumulated Depreciation	(18,600.00)	(8,542.00)
	46,772.18	56,830.18
Total Plant and Equipment	88,441.49	64,037.51
Total Property, Plant and Equipment	88,441.49	64,037.51

Movements in Carrying Amounts

Movements in carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment $	Motor Vehicles $	Total $
Balance at the beginning of the year	10,885.33	65,372.18	76,257.51
Additions	42,909.98	-	42,909.98
Depreciation expense	(12,126.00)	(18,600.00)	(30,726.00)
Carrying amount at the end of the year	41,669.31	46,772.18	88,441.49

11 Intangible Assets

	2006 $	2005 $
Website Design Costs	30,488.49	7,558.49

		2006 $	2005 $
12	**Trade and Other Payables**		
	Current		
	Payroll Liability	17,660.49	5,985.54
	Trade Creditors		
	Trade Creditors	86,963.09	7,016.22
	Accrued Expenses	36,107.07	-
		123,070.16	7,016.22
	Other Creditors	2,917.61	-
	GST Payable	-	18,863.42
		143,648.26	31,865.18
13	**Borrowings**		
	Hire Purchase Liability	5,761.24	5,163.86
	Unsecured Loans		
	Llyn Williams	62,162.44	62,392.44
		67,923.68	67,556.30
	Non-Current		
	Hire Purchase Liability	35,712.70	41,867.33
14	**Provisions**		
	Provision for Leave	4,288.00	2,199.00
	Total provisions	4,288.00	2,199.00
	Analysis of Total Provisions		
	Current	4,288.00	2,199.00
		4,288.00	2,199.00
15	**Other Liabilities**		
	Current		
	Income in Advance	855.07	39,750.00
		855.07	39,750.00
	Non Current		
	Loans - Unsecured	-	22,781.36
		-	22,781.36

BREWTOPIA LIMITED
ABN 85 099 912 044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 $	2005 $

16 Issued Capital

Issued Capital	656,382.82	85,051.31

Fully Paid Ordinary Shares

	No.	No.
At the beginning of reporting period	1,800,845	1,800,845
Shares issued during the year		
- 25 January 2006	1,936,900	-
At reporting date	3,737,745	1,800,845

17 Accumulated Losses

Accumulated losses at the beginning of the financial year	(157,848.40)	(74,210.90)
Net loss attributable to members of the company	(119,673.54)	(83,637.50)
Accumulated losses at the end of the financial year	(277,521.94)	(157,848.40)

18 Capital and Leasing Commitments

Hire Purchase Commitments

Payable:		
Not later than one year	9,664.44	9,664.44
Later than one year but not later than two years	41,473.94	46,330.86
Minimum payments	51,138.38	55,995.30
Less future finance charges	4,495.87	8,964.11
Total hire purchase liability	46,642.51	47,031.19

Hire Purchase of Vehicles

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable:		
Not later than one year	40,000.00	23,184.00
Between 12 months and five years	40,000.00	23,184.00
Total operating lease liability	80,000.00	46,368.00

Lease of Premises

	2006 $	2005 $

19 Events After the Balance Sheet Date

Relocation of Premises

The company has moved its head office and production facilities to new premises in Gladesville in September 2006.

20 Related Party Transactions

	2006 $	2005 $
Peak Partners		
Listing costs and monthly retainer	64,000.00	-

The director Mark K Flack is also a director of Peak Partners Pty Limited. Peak Partners assisted the company in listing on the Newcastle Stock Exchange. Peak Partners also provides the company with management and advice services on a monthly retainer.

21 Cash Flow Information

	2006 $	2005 $
Reconciliation of net cash provided by operating activities to profit after income tax		
Operating profit (loss) after income tax	(119,673.54)	(83,637.50)
Non-cash flows in profit:		
Depreciation	18,506.00	11,189.00
Charges to provisions	2,089.00	-
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase) Decrease in current inventories	(59,902.78)	(114.88)
(Increase) Decrease in current receivables	(12,662.24)	(10,214.28)
(Increase) Decrease in prepayments	(11,285.97)	-
Increase (Decrease) in trade creditors	107,399.90	27,015.86
Increase (Decrease) in income in advance	(38,894.93)	39,750.00
	(114,424.56)	(16,011.80)

	2006	2005
	$	$

22 Financial Instruments

Financial Risk Management

The company's financial instruments consists primarily of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments at 30 June 2006.

Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

2006	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	$	$	$	$	$
Financial Liabilities						
Unsecured Loans	-	-	-	-	62,162	62,162
Hire Purchase Liabilities	10.0	-	5,761	35,713	-	41,474
Total Financial Liabilities		-	5,761	35,713	62,162	103,636

2005	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	$	$	$	$	$
Financial Liabilities						
Unsecured Loans	-	-	-	-	62,392	62,392
Hire Purchase Liabilities	10.0	-	5,137	41,867	-	47,004
Total Financial Liabilities		-	5,137	41,867	62,392	109,397

	2006	2005
	$	$

Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date and adjusted for transaction costs expected to be incurred. For other assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2006		2005	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	$	$	$	$
Financial Assets				
Cash and cash equivalents	408,039	408,039	44,719	44,719
Total Financial Assets	408,039	408,039	44,719	44,719
Financial Liabilities				
Unsecured Loans	62,162	-	62,392	-
Total Financial Liabilities	62,162	-	62,392	-

23 Change in Accounting Policy

The company has adopted the following accounting standards that apply on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation
- AASB 139: Financial Instruments: Recognition and Measurement

The resulting changes from the adoption of AASB 132 relate primarily to increased disclosures required under the standard. These changes do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the company's financial instruments.

	2006	2005
	$	$

Available-for-sale financial assets

Under AASB 139, available-for-sale financial assets have been revalued to fair value at reporting date. In both the years ended 30 June 2005 and 2006 the company did not hold any assets that would be classified as available for sale.

Pending Standards issued between the previous financial report and the current reporting date have no application to company.

AASB amendment	AASB Standard affected
2004-3	AASB 119: Employee Benefits
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-2	AASB 1023: General Insurance Contracts
2005-3	AASB 119: Employee Benefits
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
2005-4	AASB 132: Financial Instruments: Disclosure and Presentation
2005-4	AASB 1 : First-time Adoption of AIFRS
2005-4	AASB 1023: General Insurance Contracts
2005-4	AASB 1038: Life Insurance Contracts
2005-5	AASB 1 : First-time Adoption of AIFRS
2005-5	AASB 139: Financial Instruments: Recognition and Measurement
2005-6	AASB 3: Business Combinations
2005-7	AASB 134: Interim Financial Reporting
2005-8	AASB 1 : First-time Adoption of AIFRS
2005-9	AASB 4: Insurance Contracts
2005-9	AASB 1023: General Insurance Contracts
2005-9	AASB 139: Financial Instruments: Recognition and Measurement
2005-9	AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 101: Presentation of Financial Statements
2005-10	AASB 114: Segment Reporting
2005-10	AASB 117: Leases
2005-10	AASB 133: Earnings per Share
2005-10	AASB 1 : First-time Adoption of AIFRS
2005-10	AASB 4: Insurance Contracts
2005-10	AASB 1023: General Insurance Contracts
2005-10	AASB 1038: Life Insurance Contracts
2005-11	AASB 101: Presentation of Financial Statements
2005-11	AASB 112: Income Taxes

	2006 $	2005 $

2005-11	AASB 132: Financial Instruments: Disclosure and Presentation
2005-11	AASB 133: Earnings per Share
2005-11	AASB 139: Financial Instruments: Recognition and Measurement
2005-11	AASB 141: Agriculture
2005-12	AASB 1038: Life Insurance Contracts
2005-12	AASB 1023: General Insurance Contracts
2005-13	AAS 25: Financial Reporting by Superannuation Plans
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates
2006-2	AASB 1 : First-time Adoption of AIFRS
2004-3	AASB 1 : First-time Adoption of AIFRS
2004-3	AASB 101: Presentation of Financial Statements
2004-3	AASB 124: Related Party Disclosures
2005-10	AASB 139: Financial Instruments: Recognition and Measurement
2006-1	AASB 119: Employee Benefits

24 Company Details

The registered office of the company is:

Brewtopia Limited

Level 9 St Martins Tower 31 Market Street Sydney NSW 2000

The principal place of business is:

Unit 3 46-48 Buffalo Road Gladesville

25 Segment Reporting

The company operates as a marketing and distribution entity for beer and beer related merchandise only. All of the revenue from beer is derived within Australia. However the Company does have international members who are only able to purchase merchandise, however these sales were minimal in 2006.

BREWTOPIA LIMITED
ABN 85 099 912 044

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 33, are in accordance with the Corporations Act 2001:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ____________________
Mark Kevin Flack

Director: ____________________
Lawrence Hedges

Dated this 28th day of September 2006

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BREWTOPIA LIMITED
ABN 85 099 912 044

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Brewtopia Limited, for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditors' independence declaration set out on page 8 of the financial report has not changed as at the date of providing our audit opinion.

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BREWTOPIA LIMITED
ABN 85 099 912 044

Audit Opinion

In our opinion, the financial report of Brewtopia Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Name of Firm: Allworths
Chartered Accountants

Name of Partner: ______________________
Stephen N Armstrong FCA

Address: Level 9, 31 Market Street, Sydney.

Dated this 29th day of September 2006