



Little World Beverages LIMITED

LITTLE WORLD BEVERAGES ANNOUNCES STRONG FINANCIAL RESULT

22 August 2007

Little World Beverages Limited has completed its first full year as an ASX listed company and is pleased to report a very positive set of results for the year and development initiatives for the future growth of the company.

RESULTS HIGHLIGHTS

For the year ended 30 June 2007:

- a 30.9% increase in revenue above 2006, to \$26.9m
- a 22.5% increase in EBITDA above 2006, to \$4.58m
- a 9.4% increase in profit above 2006, to \$2.98m
- a final dividend of 2.0 cents per share fully franked has been declared bringing total dividends declared for the year to 4.3 cents per share

Further achievements during the year were the;

- (a) securing and acquiring of the "Harbourside" crown lease adjacent to the existing brewery in Fremantle to enable the establishment of a new brewery and the expansion of hospitality activities;
- (b) securing of a Fitzroy property for the establishment of a retail outlet in Melbourne;
- (c) excellent performance of Bright Ale in its first year;
- (d) winning of the Champion Ale trophy at the Australian International Beer Awards for the second time, and being named Premium Beer of the Year at the Liquor Industry Awards;
- (e) product development work in the cider segment the result of which is our new cider product, Pipsqueak.

Little World Beverages has also since the year end announced the acquisition of a property in Healesville, Victoria and a 5 year consulting agreement with Phil Sexton. It is our intention to relocate our existing brew house and our original packaging line to Healesville to provide us with new product development opportunities and Victorian production capacity.

- End -

For further information please contact:

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Appendix 4E

Preliminary Final Report

Little World Beverages Limited
ABN 25 081 128 225

I. Reporting Periods

Financial year ended (‘current period’)	Financial year ended (‘previous corresponding period’)
30 June 2007	30 June 2006

2. Results for Announcement to the Market

Revenue from continuing operations	up	30.9%	to	26,871,104
Profit from continuing operations after tax attributable to members	up	9.4%	to	2,984,151
Net profit attributable to members	up	9.4%	to	2,984,151

Dividends:	Amount per security	Franked amount per security
Interim dividend (record date 19 March 2007)	2.3 cents	2.3 cents
Final dividend ¹ (record date 17 September 2007)	2.0 cents	2.0 cents
Total dividends per security for the year	4.3 cents	4.3 cents

¹The final dividend in respect of ordinary shares for the year ended 30 June 2007 has not been recognised in the financial report because the dividend was declared subsequent to 30 June 2007. The final dividend for 2007 of 2.0 cents per share, fully franked at 30% will be paid on 28 September 2007.

3. Income Statement

	Notes	Consolidated		Parent Entity	
		30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
Revenues from continuing operations	1	26,871,104	20,522,534	2,691,545	1,427,854
Other income	2	13,561	10,180	-	-
Changes in inventories of finished goods and work in progress		77,749	150,200	-	-
Raw material and consumables used		(4,999,817)	(3,753,951)	-	-
Depreciation & amortisation expenses	3	(735,649)	(391,013)	-	-
Employee expenses		(6,805,871)	(5,567,774)	-	-
Finance costs	3	-	(42,818)	-	-
Bad & doubtful debts		(6,359)	(8,312)	-	-
Excise tax		(3,984,441)	(2,866,102)	-	-
Occupancy costs	3	(1,017,818)	(613,205)	-	-
Selling & distribution costs		(1,941,605)	(1,524,652)	-	-
Consumables, repairs & replacements		(641,418)	(454,419)	-	-
Jarrahdale due diligence costs written off		(186,692)	-	-	-
Other expenses		(2,130,733)	(1,454,008)	(67,992)	(30,749)
Profit before income tax expense		4,512,011	4,006,660	2,623,553	1,397,105
Income tax expense	4	(1,527,860)	(1,279,720)	(71,565)	(75,745)
Profit for the year		2,984,151	2,726,940	2,551,988	1,321,360
Profit attributable to members of Little World Beverages Limited and controlled entities		2,984,151	2,726,940	2,551,988	1,321,360
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share		5.05	6.34		
Diluted earnings per share		4.59	5.82		

4. Balance Sheet

	Notes	Consolidated		Parent Entity	
		30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	4,195,021	15,505,982	3,371,416	123,809
Trade and other receivables	6	2,545,430	2,015,251	643	12,125
Inventories	7	945,240	867,491	-	-
Other	8	116,687	66,615	-	-
TOTAL CURRENT ASSETS		7,802,378	18,455,339	3,372,059	135,934
NON-CURRENT ASSETS					
Receivables		-	-	19,088,501	21,830,028
Other financial assets	9	500	500	17	17
Property, plant and equipment	10	18,833,631	8,776,850	-	-
Intangible assets	11	1,171,607	-	-	-
Deferred tax assets	12	398,792	410,187	210,696	284,401
TOTAL NON-CURRENT ASSETS		20,404,530	9,187,537	19,299,214	22,114,446
TOTAL ASSETS		28,206,908	27,642,876	22,671,273	22,250,380
LIABILITIES					
CURRENT LIABILITIES					
Payables	13	1,352,625	1,685,553	5,956	5,376
Provisions	14	154,132	98,871	-	-
Current tax liabilities	15	620,250	567,844	(881)	-
TOTAL CURRENT LIABILITIES		2,127,007	2,352,268	5,075	5,376
NON-CURRENT LIABILITES					
Payables		-	-	16	16
Deferred tax liabilities	16	19,732	83,796	-	-
TOTAL NON-CURRENT LIABILITIES		19,732	83,796	-	16
TOTAL LIABILITIES		2,146,739	2,436,064	5,091	5,392
NET ASSETS		26,060,169	25,206,812	22,666,182	22,244,988
EQUITY					
Contributed equity	17	21,968,755	21,968,755	21,968,755	21,968,755
Share option reserve	18	483,947	192,461	483,947	192,461
Retained profits	18	3,607,467	3,045,596	213,480	83,772
TOTAL EQUITY		26,060,169	25,206,812	22,666,182	22,244,988

5. Changes in Equity

	Notes	Consolidated		Parent Entity	
		30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
Total equity at the beginning of the financial year		25,206,812	2,807,978	22,244,988	1,251,734
Employee shares		-	80,000	-	80,000
Options reserve	18	291,486	192,461	291,486	192,461
Net income recognised directly in equity		291,486	272,461	291,486	272,461
Profit for the year		2,984,151	2,726,940	2,551,988	1,321,360
Total recognised income and expense for the year		3,275,637	2,999,401	2,843,474	1,593,821
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs		-	20,640,113	-	20,640,113
Dividends paid		(2,422,280)	(1,240,680)	(2,422,280)	(1,240,680)
		(2,422,280)	19,399,433	(2,422,280)	19,399,433
Total equity at the end of the year		26,060,169	25,206,812	22,666,182	22,244,988
Total recognised income and expense for the year attributable to members of Little World Beverages Limited and controlled entities		3,275,637	2,999,401	2,843,474	1,593,821

6. Cash flows Statement

	Notes	Consolidated		Parent Entity	
		30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
Cash flows from operating activities:					
Receipts from customers (inclusive of goods and services tax)		28,041,990	21,007,173	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(23,220,781)	(16,466,195)	(76,354)	(30,749)
Interest received	1	944,940	423,469	548,584	186,773
Interest paid	3	-	(37,318)	-	-
Dividends received		-	-	-	1,240,680
Borrowing costs	3	-	(5,500)	-	-
Government grants received	2	-	10,180	-	-
Income taxes paid		(1,523,506)	(1,336,811)	13,426	-
Net GST paid to the ATO		(923,475)	(891,802)	8,886	(44)
Net cash provided by operating activities		3,319,168	2,703,196	494,542	1,396,660
Cash flows from investing activities:					
Purchase of property, plant and equipment	10	(11,044,977)	(4,861,911)	-	-
Purchase of intangibles	11	(1,171,607)	-	-	-
Sale of property, plant and equipment		8,735	1,400	-	-
Proceeds from loans with related parties		-	(1,790,732)	18,637,343	(20,386,028)
Repayment of loans with related parties		-	-	(13,461,997)	-
Dividends paid		(2,422,280)	(1,240,680)	(2,422,280)	(1,240,680)
Net cash used in investing activities		(14,630,129)	(7,891,923)	2,753,066	(21,626,708)
Cash flows from financing activities:					
Proceeds from issues of shares (net of equity raising payments)		-	20,351,590	-	20,351,590
Proceeds from other borrowings		-	1,500,000	-	-
Repayment of other borrowings		-	(1,500,000)	-	-
Net cash provided by financing activities		-	20,351,590	-	20,351,590
Net increase/(decrease) in cash held		(11,310,961)	15,162,863	3,247,608	121,542
Cash and cash equivalents at the beginning of the year		15,505,982	343,119	123,809	2,267
Cash and cash equivalents at the end of the year		4,195,021	15,505,982	3,371,417	123,809

Notes:

	Consolidated		Parent Entity	
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$
1. REVENUE				
From continuing operations				
Sale of goods	26,049,821	19,818,137	-	-
Interest – other parties	665,620	702,789	269,265	186,774
Dividend income	-	-	2,422,280	1,240,680
Rental revenue from property subleases	139,101	-	-	-
Other income	16,562	1,608	-	400
Total revenue	26,871,104	20,522,534	2,691,545	1,427,854
2. OTHER INCOME				
Net foreign exchange gains	13,561	-	-	-
Government grants	-	10,180	-	-

An Export Market Development Grant of \$nil (2006: \$10,180) was recognised as other income by the Group during the financial year. There are no unfulfilled conditions or other contingencies attaching to this grant. The Group did not benefit directly from any other forms of government assistance.

	Consolidated		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
3. EXPENSES				
Profit before income tax includes the following specific expenses:				
Cost of goods sold	8,906,509	6,469,853	-	-
Finance costs:				
interest paid	-	37,318	-	-
amortisation of capitalised borrowing costs	-	5,500	-	-
Total finance costs	-	42,818	-	-
Depreciation, amortisation & impairment losses of non-current assets:				
plant and equipment	708,455	370,565	-	-
amortisation of leasehold improvements	27,194	20,448	-	-
Total depreciation and amortisation cost	735,649	391,013	-	-
Rental and outgoings on operating sublease over land & buildings and other property	660,582	374,363	-	-
Net loss on disposal of non-current assets	99,574	59,158	-	-
Net foreign exchange losses	-	7,823	-	-
Defined superannuation contribution expense	489,751	389,318	-	-

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
4. INCOME TAX EXPENSE				
Income tax expense:				
Current tax	1,584,226	1,151,037	-	-
Deferred tax	(52,669)	109,059	73,705	84,122
Under (over) provided in prior years	(3,697)	19,624	(2,140)	(8,377)
	1,527,860	1,279,720	71,565	75,745
Deferred income tax expense included in income tax expense comprises:				
Decrease in deferred tax assets	11,395	31,919	73,705	84,122
(Decrease) increase in deferred tax liabilities	(64,064)	77,140	-	-
	(52,669)	109,059	73,705	84,112
Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	4,512,011	4,006,660	2,623,553	1,397,105
Tax at 30%	1,353,603	1,201,998	787,066	419,131
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	87,446	58,068	-	-
Tax offset for franked dividends	-	-	(789,206)	(343,386)
Sundry	86,811	19,654	73,705	-
	1,527,860	1,279,720	71,565	75,745
Amounts recognised directly in equity				
Deferred tax arising in the reporting period not recognised in profit or loss but directly credited to equity				
Deferred tax credited directly to equity	(73,705)	368,523	(73,705)	368,523

Tax consolidation legislation:

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

	Consolidated		Parent Entity	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$
5. CURRENT ASSETS - CASH				
Cash at bank and in hand	4,195,021	311,949	3,371,416	123,809
Commercial bills	-	15,194,033	-	-
	4,195,021	15,505,982	3,371,416	123,809

a) Cash at bank and on hand

The cash at bank and on hand bear interest rates of between 0% and 6.1%.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Trade receivables	2,108,675	1,550,390	-	-
Provision for doubtful receivables	(32,922)	(27,826)	-	-
Sundry debtors and deposits	469,677	492,687	643	12,125
	2,545,430	2,015,251	643	12,125
7. CURRENT ASSETS – INVENTORIES				
At cost				
Raw materials and stores	497,944	210,118	-	-
Work in progress	47,739	22,002	-	-
Finished goods	399,558	635,371	-	-
	945,240	867,491	-	-
Inventories recognised as expense during the year ended 30 June 2007 amounted to \$8,906,509 (2006: \$6,469,853).				
8. CURRENT ASSETS – OTHER ASSETS				
Prepayments	116,687	66,615	-	-
9. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS				
Shares in subsidiaries	-	-	17	17
Unlisted shares – Investment in ILG	500	500	-	-
	500	500	17	17

10. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

Consolidated	Land & Buildings \$	Leasehold Improvements \$	Plant & Equipment \$	Total \$
<i>At 1 July 2005:</i>				
Cost or fair value	-	674,610	4,404,293	5,078,903
Accumulated depreciation	-	(84,142)	(627,272)	(711,414)
Net book amount	-	590,468	3,777,021	4,367,489
<i>Year ended 30 June 2006:</i>				
Opening net book amount	-	590,468	3,777,021	4,367,489
Additions	211,344	53,884	4,596,683	4,861,911
Disposals / adjustments	-	-	(61,537)	(61,537)
Depreciation charge	-	(20,448)	(347,846)	(368,294)
Impairment losses recognised in profit and loss	-	-	(22,719)	(22,719)
Closing net book amount	211,344	623,904	7,941,602	8,776,850
<i>At 1 July 2006:</i>				
Cost or fair value	211,344	728,494	8,920,260	9,860,098
Accumulated depreciation	-	(104,590)	(978,658)	(1,083,248)
Net book amount	211,344	623,904	7,941,602	8,776,850
<i>Year ended 30 June 2007:</i>				
Opening net book amount	211,344	623,904	7,941,602	8,776,850
Additions	6,404,832	1,342,646	3,464,952	11,212,430
Disposals / adjustments	(211,344)	(26,931)	(181,725)	(420,000)
Depreciation charge	-	(27,194)	(708,455)	(735,649)
Impairment losses recognised in profit and loss	-	-	-	-
Closing net book amount	6,404,832	1,912,424	10,516,374	18,833,631
<i>At 30 June 2007:</i>				
Cost or fair value	6,404,832	2,030,968	12,163,419	20,599,219
Accumulated depreciation	-	(118,544)	(1,647,045)	(1,765,588)
Net book amount	6,404,832	1,912,424	10,516,374	18,833,631

Included in the above addition totals for the year ended 30 June 2007 is an amount of \$67,114 relating to capitalised borrowing costs, which have been added to the cost base of the assets to which they relate.

11. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
IPO costs at 1 July	-	173,818	-	-
Equity transaction costs – transferred to equity on listing on the ASX on 10 November 2005	-	(173,818)	-	-
Goodwill purchased	1,056,126	-	-	-
Licences purchased	100,000	-	-	-
Design work capitalised	15,481	-	-	-
At 30 June	1,171,607	-	-	-

12. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Doubtful debts	8,979	7,589	-	-
Employee superannuation benefits	1,389	902	-	-
Employee leave accrual	46,240	29,661	-	-
Trademarks & brand development	1,481	32,459	-	-
Share issue expenses	(87,446)	(84,122)	-	(84,122)
Sundry	217,453	55,175	-	-
	188,096	41,664	-	(84,122)

Amounts recognised directly in equity:

Share issue expenses	210,696	368,523	210,696	368,523
Net deferred assets	398,792	410,187	210,696	284,401

Movements:

Opening balance at 1 July	410,187	50,814	284,401	1,020
Credited/(charged) to the income statement	62,310	(9,150)	-	(85,142)
Credited to equity	(73,705)	368,523	(73,705)	368,523
Closing balance at 30 June	398,792	410,187	210,696	284,401

13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade creditors	627,757	1,239,157	5,956	5,376
Sundry creditors & accruals	685,054	381,967	-	-
Amounts payable to director & key management personnel related entities	39,814	63,868	-	-
Amount payable to shareholder related entity	-	561	-	-
	1,352,625	1,685,553	5,956	5,376

14. CURRENT LIABILITIES – PROVISIONS

Employee benefits	154,132	98,871	-	-
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15. CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax	620,250	567,844	(881)	-
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	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
16. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES				
<i>The balance comprises temporary differences attributable to:</i>				
Prepayments and accrued income	3,503	83,796	-	-
Sundry	16,229	-	-	-
	19,732	83,796	-	-
<i>Movements:</i>				
Opening balance at 1 July	83,796	6,656	-	-
Credited/(charged) to the income statement	(64,064)	77,140	-	-
Closing balance at 30 June	19,732	83,796	-	-
		30 June 2007	30 June 2007	
		# Shares	\$	

17. CONTRIBUTED EQUITY

Ordinary share capital

Ordinary shares – fully paid	59,080,000	21,968,755
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There were no movements in equity in the comparative period.

Movements in ordinary share capital

Date	Details	# shares	Issue price	\$
1 July 2006	Opening balance	59,080,000		21,968,755
30 June 2006	Balance	59,080,000		21,968,755

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

18. RESERVES AND RETAINED PROFITS

	Consolidated		Parent Entity	
	2006		2006	
	\$		\$	
a) Reserves				
Share-based payments reserve	483,947	192,461	483,947	192,461
<i>Movements:</i>				
Balance 1 July	192,461	-	192,461	-
Option expense	291,486	192,461	291,486	192,461
Transfer to share capital (options exercised)	-	-	-	-
Balance 30 June	483,947	192,461	483,947	192,461

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>b) Retained Profits</i>				
Movements in retained profits were as follows:				
Balance 1 July	3,045,596	1,559,336	83,772	3,092
Net profit for the year	2,984,151	2,726,940	2,551,988	1,321,360
Dividends	(2,422,280)	(1,240,680)	(2,422,280)	(1,240,680)
Balance 30 June	3,607,467	3,045,596	213,480	83,772

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

Profit after income tax	2,984,151	2,726,940	2,551,988	1,321,360
Non-Cash Items				
Depreciation and Amortisation	735,649	391,013	-	-
Loss on sale of non current assets	99,574	59,158	-	-
Foreign exchange losses/(gains)	(13,561)	7,823	-	-
Options, achievement rights & employee shares granted	392,175	329,183	291,486	272,461
Other non-cash items	57,110	30,052	(2,422,280)	(274,576)
Changes in assets and liabilities				
Increase in trade and other receivables	(718,016)	(1,097,476)	(57)	(10,679)
Increase in inventories	(77,749)	(150,200)	-	-
Decrease/(increase) in other assets	(50,072)	(26,138)	-	-
(Decrease)/increase in trade and other payables	(145,091)	497,086	581	4,992
(Decrease)/increase in provisions	55,261	(7,154)	-	-
Increase in deferred tax assets	11,395	9,150	73,705	83,102
(Decrease)/increase in current tax liabilities	52,406	(143,381)	(881)	-
Increase/(decrease) in provision for deferred income tax liabilities	(64,064)	77,140	-	-
Net cash inflow from operations	3,319,168	2,703,196	494,542	1,396,660

7. Dividends

		Date dividend payable	Amount per security (cents)	Amount per security of foreign sourced dividends (cents)
Final dividend	Current year	28 September 2007	2.0	nil
	Previous year	29 September 2006	1.8	nil
Interim dividend	Current year	19 March 2007	2.3	nil
	Previous year	16 March 2006	2.1	nil

	Current period		Previous period	
	Cents per share	Total \$	Cents per share	Total \$
Total dividends per share				
<i>Recognised amounts:</i>				
Final dividend – fully franked at 30%	-	-	-	-
Interim dividend – fully franked at 30%	2.3	1,358,840	2.1	1,240,680
<i>Unrecognised amounts:</i>				
Final dividend – fully franked at 30% ¹	2.0	1,181,600	1.8	1,063,440
Total	4.3	2,540,440	3.9	2,304,120

¹The final dividend in respect of ordinary shares for the year ended 30 June 2007 has not been recognised in the financial report because the dividend was declared subsequent to 30 June 2007. The final dividend for 2007 of 2.0 cents per share, fully franked at 30% will be paid on 28 September 2007.

8. Dividend reinvestment plans

The company does not have a Dividend Re-investment Plan.

9. Statement of retained earnings

	Current period	Previous corresponding period
Balance 1 July	3,045,596	1,559,336
Net profit for the year	2,984,151	2,726,940
Dividends paid	(2,422,280)	(1,240,680)
Balance 30 June	<u>3,607,467</u>	<u>3,045,596</u>

10. Net tangible assets backing

	Current period	Previous corresponding period
	\$	\$
Net tangible assets per ordinary share	0.42	0.43

11. Controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2007	2006
			%	%
Little Creatures Brewing Pty Ltd	Australia	Ordinary	100	100
Little Green Steps Pty Ltd	Australia	Ordinary	100	100
Fremantle Harbour Properties Pty Ltd (formerly known as ACN 110 233 540 Pty Ltd)	Australia	Ordinary	100	100

12. Associates and joint ventures

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

13. Other significant information

See commentary below

14. Foreign entities

N/A

15. Commentary on the results for the year ended 30 June 2007

Review of Operations

The past year has been one of the busiest yet in the development of the company and its operations. We have commenced a number of exciting new projects that will strengthen our position as one of Australia's leading regional brewers, while successfully maintaining our focus on producing beers that are world class.

It's all about the beer

Little Creatures Pale Ale was awarded the trophy for Champion Ale at the Australian International Beer Awards for the second time, and took the number of trophy wins for Little Creatures at these awards to five in seven years. Little Creatures Pale Ale was also recognized as Australia's 'Premium Beer of the Year' at the Australian Liquor Industry Awards.

We have achieved strong increases in sales volumes and distribution for all our brands in all of our key markets nationally. We also expanded our international distribution to include the United States, Singapore and Hong Kong, in addition to the United Kingdom, New Zealand and Denmark. The success of Little Creatures Bright Ale, which was launched in May 2006, has been particularly pleasing. During the year we also launched our flagship Pale Ale in a unique pintsize bottle.

The brewing team was strengthened with the return from Inbev in Belgium of Alex Troncoso as Chief Brewer. We also entered into a new 5 year consulting agreement with Phil Sexton, one of the founding partners of Little Creatures Brewing. Phil is widely regarded as one of Australia's leading beer industry innovators and was an integral member of the team that helped conceptualise Little Creatures Brewing and set the direction of its award winning beers. Together, Alex and Phil will ensure that the company's significant expansion plans have the appropriate level of technical supervision and the company's beers are consistently maintained to the highest quality standards.

Capacity expansion

Our planned capacity upgrades to the brewery and packaging facilities were implemented during the year. We have increased fermentation capacity at the brewery and commissioned a new offsite packaging, warehousing and distribution centre. This has significantly reduced logistical issues around space availability and vehicle movements at our Fremantle operation.

In February 2007 we acquired the leasehold property at 42 Mews Road and negotiated an extended right to renew the sub-lease over our current site at 40 Mews Road until 2042. As a result of acquiring extended tenure over both sites we have the opportunity to secure our future capacity and to create an iconic integrated brewing and tourism facility. The work for the construction of the building to house our new brewery, and the design of the new brewery itself, is under way and we expect to commission our new brewery in 2008.

New product development

In July 2007 the company announced the acquisition of a site in Healesville, Victoria, in the heart of the Yarra Valley. This acquisition allows us to establish a new regional brewery and Victorian production capacity. The site is adjacent to Phil Sexton's Giant Steps/Innocent Bystander Winery and Cellar Door and enables our brewing team to work with Phil in the development of new products using our existing brew house and original packaging line that will be relocated to the site when the new Fremantle brewery is commissioned.

During the year the company commenced distribution of Aspull Cyder in Australia. Aspull is the United Kingdom's oldest direct lineage cider maker and has been producing premium cider in England since 1728 as a family owned and operated business. Distribution of this product has assisted the company to assess the opportunities for growth in this beverage sector.

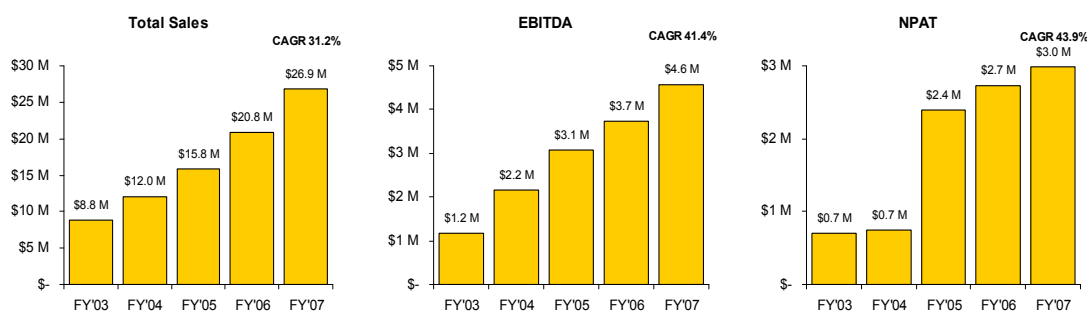
The company launched its own cider brand, Pipsqueak, in Western Australia in August 2007 and initial feedback from the market is very encouraging. Pipsqueak is a light, crisp and refreshing 5.2% alcohol cider made from Western Australian apples.

Hospitality

The company is developing a new hospitality venue at 42 Mews Road, Fremantle which will open in September 2007. The company is also in the process of developing a bar in Fitzroy, Melbourne. This facility will act as a base for our team in Victoria and allows us to showcase our full range of beers to Victorian consumers.

Financial matters

The company continued to achieve outstanding revenue growth while maintaining the market positioning of its products. Total sales revenue for the year grew 30.9% to \$26.9 million, while earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year of \$4.6 million were 22.5% above the previous year.



The company achieved a net profit after tax of \$2.98m, an increase of 9.4% on the previous year. However, final results include write-offs associated with expenses incurred in relation to due diligence on the Jarrahdale site, and pre-development costs for the cider project and at our Melbourne bar site.

Operating cash flow increased 22.8% on the prior year to \$3.32 million.

In March 2007, shareholders received a fully franked interim dividend of 2.3 cents per share. In September 2007, the company intends to pay a final fully franked dividend of 2.0 cents per share, representing 85.1% of net profit after tax for the year (based on total shares on issue as at 30 June 2007). This will bring the total dividend for the year to 4.3 cents, fully franked.

Earnings per share for the year ended 30 June 2007 was 5.05 cents, and diluted earnings per share was 4.59 cents.

15. Compliance statement

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

The accounts have been audited.

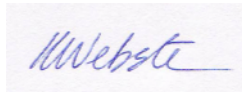
The accounts have been subject to review.

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

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

5. The auditors' audit report is attached to the financial statements.
6. The entity has a formally constituted Audit and Finance Committee.

Signed:



Company Secretary

Date: 22 August 2007

Name:

Kylie Webster