



NSX Code: SOD

2007 Full Year Review for the Year Ended 31 July 2007

This review reports on the key corporate, operational and financial activities for the 2007 financial year.

Some major corporate and operational undertakings have been successfully completed over the 2007 financial year. These include:

- January 2007 - the public listing of Soda Brands Limited (SODA) on the National Stock Exchange (NSX);
- January 2007 - completion of the acquisition of Salon Only Pty Limited;
- February 2007 – Launch of the Salon Loyalty Program;
- April 2007 – Launch of Salon Only In New Zealand;
- April 2007 – Launch of the Salon Only Website;
- April 2007 – Introduction of the Salon Only online stylist awards competition; and
- July 2007 – Launch of the re-branded and “new look” Salon Only range.

Stock Exchange Listing

The NSX listing was completed during January 2007, which resulted in \$5 million being raised. The listing is a critical element for the rollout of SODA's Loyalty Program. The proceeds raised were used to reduce SODA's debt levels to nil as well as to acquire 100% of Salon Only Pty Limited – the owner of the Salon Only branded hair care range of products.

Acquisition of Salon Only Pty Limited

The acquisition of Salon Only Pty Limited was completed during January 2007, and forms the cornerstone of SODA's future growth plans. SODA has historically been the exclusive distributor for the “Salon Only” range of hair care products for the Australian and New Zealand markets.

The acquisition of the Salon Only Brand has allowed the company to increase the investment in sales, marketing and brand development. Throughout 2007 we have successfully increased the sales team representing the brand, re-branding of the SO range and the introduction of an industry first loyalty program.

Launch of the Salon Loyalty Program

The Loyalty Program provides the opportunity for SODA's customers (hair and beauty salons) to “earn” shares in SODA and therefore “be part of” and “own” the brands they are recommending on a daily basis to their clientele. The number of shares earned is based on achieving agreed sales targets over the next 12 and 24 month period.

During February 2007, SODA launched the Salon Loyalty Program. In the first 6 months of operation we have already signed in excess of 70 salons onto the Loyalty program which represents approximately 10% of active customers.

Launch of Salon Only Brand in New Zealand

As part of SODA's expansion operations commenced in New Zealand during April 2007. To date the market is in its infancy with the number of SODA customers increasing on a monthly basis. SODA has employed 2 full time reps servicing both the North and South Island and all administration is performed by the Sydney Office.

Launch of the Re-branded and Re-packaged Salon Only Range

A major initiative throughout the 2007 year was the re-branding and re-packaging of the Salon Only range of hair care products. The repack was launched on 25 July 2007. The re-packaging was initially schedule for launch during June 2007 however this was delayed until the last week in July to ensure that existing levels of "old packaged" inventories was sufficiently sold down.

Enhanced Sales Representation In The Marketplace

SODA utilises two methods of sales representation in the marketplace – direct and indirect. When we refer to "direct" sales representation we mean full time employed sales reps and commission based agents. By "indirect" sales representation we mean multi-line sub-distributors appointed to represent SODA in certain markets or territories.

SODA's direct sales representation "on the road" has been increased by 100%. Initial focus has been on the major markets of NSW, VIC and New Zealand. The current 6 member direct sales team has effectively been operating with its full complement from mid November 2006. The team have all participated in Salon Only's training and education program during the months of December 2006 and January 2007, including attending the 2007 Salon Only sales conference. In addition a second level of sales training was initiated to introduce new selling techniques to coincide with the launch of the new Salon Only packaging.

As result of this increase in direct sales team we have seen a significant increase in direct sales achieved for the year.

SODA has two current Sub-distributors operating in the north and south QLD markets with a total of 5 sales reps on the road. We have delayed appointment of additional sub-distributors (in particular WA and SA) during the later part of the year. The decision was made to finalise the re-branding and re-packaging before making these additional sub-distributor appointments.

Marketing and Branding Initiatives

The first twelve months of the financial year has involved the planning and development of several marketing and branding initiatives during the year.

The most involved projects included the redesign of the Salon Only packaging as well as the recent product range review and associated product development activities. Post the completion of the acquisition of Salon Only Pty Limited the existing hair care range underwent a detailed range review. In addition to reformulating some of the existing products, management also planned new product additions and releases for the next 12 months.

In addition to the redesign of the "new look" Salon Only range we have also created new point of sale stands to ensure that they enhance customer appeal at the point of purchase. The new point of sale material is scheduled to be released in October 2007.

We launched the first online Stylist Awards competition throughout the year. The awards program was successful with over 500 stylist entrants from across Australia and New Zealand. Awards were presented at the official launch of the new Salon Only range on 25 July 2007. Full results are displayed on the new salon only website (www.salononly.com.au).

Financial Performance

SODA has recorded a net loss of \$0.795 million for the full year ended 31 July 2007.

SODA has commenced delivering on its growth plans during the 2007 financial year. This growth is represented by the 32% growth in sales, the 17% growth in gross margin.

The full year results included a significant investment in the sales, marketing and branding expenses as result of the acquisition and subsequent re-branding of the Salon Only range. As result of this investment, operating expenses (excluding depreciation and finance expenses) have increased by 73%. 42% of this operating expense increase is "once off" in nature as it relates to the re-packaging and re-branding projects completed during the year.

The major income statement and balance sheet items are summarised below.

- **Sales revenue** has increased by 32% to \$2,406 million (2006: \$1.825 million);
- **Gross margin** has increased by 17% to \$1.040 million (2006: \$0.890 million);
- **Operating overheads*** increased by 73% to \$1.708 million (2006: \$0.988 million);
- **Net loss after tax** increased by 226% to \$0.795 million (2006: \$0.244 million);
- **Cash on hand** has increased to \$0.668 million (2006: \$0.015 million); and
- **Interest bearing loans** have been reduced to nil (2006: \$0.633 million).

* Operating overheads excludes depreciation and finance costs.

Outlook the 2008 Financial Year

The investment made during the 2007 financial year is forecast to result in significant increases in both sales and gross margin during the 2008 financial year.

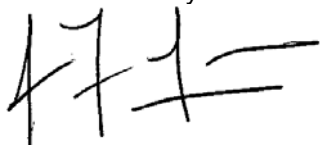
As result of the release of the new packaging, gross margin percentage is anticipated to increase from 43% of sales to 55% of sales. This is mainly due to the flow through of the manufacturing efficiencies associated with the purchase of Salon Only Pty Limited and a reduction in the cost associated with the sourcing of new packaging.

Operating overheads are expected to be \$300,000 lower in the 2008 financial year due to the "once offs" associated with the re-packaging and re-branding programs during the 2007 year under review.

SODA is financially strong and growth plans are well funded with \$0.668 million in cash and \$0.800 million in inventories as at the end of the 2007 financial year.

The 2008 financial year has commenced well with the unaudited management accounts for the first two and half months of the financial year showing a breakeven EBITDA result

Yours sincerely



Andrew Fairfull
Chairman

Monday 15 October 2007, Sydney