



Dear Shareholders,

This review reports on the key corporate, operational and financial activities for the 2008 financial year (12 months ended 31 July 2008).

### **Financial Year Ended 31 July 2008**

The reported net loss after tax for the 2008 financial year was \$0.3 million. This represents a \$0.5 million or a 63% improvement when compared to the reported loss last year of \$0.8 million.

Sales grew by 8% to \$2.6 million when compared to last financial year (2007: \$2.4 million). On reflection we were expecting sales to grow at a faster rate than has occurred during the 2008 fiscal year. Product sales for the last two months of the year (months of June and July 2008) were particularly soft.

Gross margin contribution has increased by \$0.5 million to \$1.5 million when compared to last year. This reflects an improvement in gross margin from 42% in 2007 to 58% in 2008. The improvement is largely driven by the decrease in the manufactured cost of the Salon Only branded hair care range.

Operating overheads (excluding depreciation and net interest expense) remained steady at \$1.7 million (2007: \$1.7 million).

The table below provides an overview of the income statement as compared to the corresponding period last year.

<b>Soda Brands Limited Summary Income Statement</b>				
<b>Financial Year Ended 31 July</b>	<b>2008FY \$ Million</b>	<b>2007FY \$ Million</b>	<b>Variance \$ / % pts</b>	<b>Variance %</b>
<b>Sales</b>	<b>2.6</b>	<b>2.4</b>	<b>0.2</b>	<b>8%</b>
<b>Gross Margin (\$)</b>	<b>1.5</b>	<b>1.0</b>	<b>0.5</b>	<b>50%</b>
<b>Gross Margin (%)</b>	<b>58%</b>	<b>42%</b>	<b>16</b>	<b>38%</b>
<b>EBITDA</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>0.4</b>	<b>67%</b>
<b>NPAT</b>	<b>(0.3)</b>	<b>(0.8)</b>	<b>0.5</b>	<b>63%</b>

The table below provides an overview of the balance sheet as at the end of the financial year.

<b>Soda Brands Limited Summary Balance Sheet</b>		
<b>As at 31 July</b>	<b>2008FY \$ Million</b>	<b>2007FY \$ Million</b>
Cash	0.1	0.7
Net Working Capital*	0.8	1.0
Intangibles	3.3	3.0
Property, Plant & Equipment	0.2	0.3
Other assets	0.4	0.1
<b>Net Assets</b>	<b>4.8</b>	<b>5.1</b>

\* Net working capital = Debtors plus Inventory less Creditors

Since the end of the financial year the Company has received a \$500,000 cash injection via an equity placement at 18 cents per share. The placement formed part of the Kistani acquisition that was approved by shareholders at the General Meeting held on 9 September 2008.

### Recent Acquisitions

Your company has recently completed two acquisitions (HairFX and Kistani). The acquisitions were completed on 9 September 2008. These acquisitions expand the portfolio of products that Soda markets and distributes through hair and beauty salons. The branded portfolio now includes:

<b>Brand</b>	<b>Owned / Licensed</b>	<b>Hair Care or Skin Care</b>
<b>Salon Only</b>	Owned	Hair Care
<b>Nexus</b>	Licensed (from US)	Hair Care
<b>Sexy Hair</b>	Licensed (from US)	Hair Care
<b>Paul Brown</b>	Licensed (from US)	Hair Care
<b>Matis</b>	Licensed (from France)	Skin Care

### Other Recent Developments and Outlook for the 2009 Financial Year

Soda has recently entered into an agreement with Ferrosan Asia Pacific to distribute their Imedeen branded healthy skin products. The agreement appoints Soda as the exclusive distributor for Australia for an initial five (5) year term with an additional three (3) year option. The annualised business is expected to add \$1.3 million in revenue at an expected gross margin contribution of 50%. The agreement becomes effective 1 December 2008. The contract win adds another skin care range to Soda's existing portfolio of brands. The Imedeen range covers both the pharmacy and beauty salon sales channels.

The 'unaudited' first quarter's results for the 2009 financial year (August 2008 to October 2008) indicate sales are up 42% to \$1.0 million when compared to the first quarter last financial year. The increase is due to the addition of the sales associated with the HairFX and Kistani acquisitions.

Your Board continues to monitor sales closely in these uncertain economic times. We remain cautious with regards to the drop in consumer retail and discretionary spending. While our total sales have increased for the first quarter due to the recent acquisitions the 'like for like' sales of the Salon Only branded hair care range have dropped 15% which we attribute to the current economic climate.

With the planned business growth for 2009 and beyond, working capital management is a focus for the business. Stronger debtor and inventory management remains a priority for management.

Consistent with the original Soda Prospectus dated 15 November 2006, your Board continues to review the acquisition of other brands and distribution rights for products involved in the "health, beauty and wellbeing" sectors.

While we have provided an overview of the financial results for the 2008 fiscal year in this report, a full copy of the 2008 Annual Report can be obtained by either:

- a) Telephoning the Company Secretary on +61 2 8356 9222; or
- b) Downloading from the Company's website [www.sodabrands.com.au](http://www.sodabrands.com.au); or
- c) Downloading from the NSX's website [www.nsx.com.au](http://www.nsx.com.au).

We look forward to meeting shareholders personally at the upcoming 2008 Annual General Meeting (AGM) which is being held at 9.00am on Friday 12 December 2008 at United Galleries, 179 Palmer Street, Darlinghurst NSW 2020.

Yours sincerely



**Andrew Fairfull**  
**Non-executive Chairman**