

SODA BRANDS LIMITED AND CONTROLLED ENTITIES

ABN: 91 081 149 635

**Annual Financial Report For The Year Ended
31 July 2008**

SODA
— BRANDS LIMITED —

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SALON ONLY™

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— PARIS —

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HAWAII

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SODA BRANDS LIMITED AND CONTROLLED ENTITIES

31 July 2008

ABN: 91 081 149 635

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**SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the financial year ended 31 July 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

FAIRFULL Andrew (Non-exec Chairman)	
GHATTAS Nicholas (Executive Director)	
DIMITRIADIS Stavros (Executive Director)	(Appointed on 9 September 2008)
BRETT Hilton (Non-exec Director)	
KULMAR Stephen (Non-exec Director)	
KROK Maxim (Non-executive Director)	(Appointed on 9 September 2008)

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

Company Secretary

The following person held the position of company secretary at the end of the financial year: GHATTAS Nicholas

Principal Activities

The principal activities of the consolidated group during the financial year were:

- manufacturing and distribution of hair care products exclusively to salons and other select outlets; and
- distribution of cosmetic products;

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The results of the consolidated group after providing for income tax amounted to a loss of \$320,450 (2007: loss \$794,873)

Dividends Paid or Recommended

There were no dividends paid or proposed during the year.

Review of Operations and Financial Position

The reported net loss for the 2008 financial year was \$0.3 million. This represents a \$0.5 million or 63% improvement when compared to the previous year. Sales grew by 8% to \$2.65 million on the previous year and gross margin increased by \$0.5 million when compared to last year. The improvement in margin is largely result of the decrease in the manufactured cost of the Salon Only Brand. Operating overheads remained steady at \$1.7 million. The net assets of the company at the end the financial year was \$4.8 million

Please refer to the Chairman's Report for a detailed review of the operations of the consolidated group for the financial year.

Corporate Affairs

The following corporate matters were concluded during the year:

Soda recently completed 2 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, Salon Only (owned), Nexus, Sexy Hair, Paul Brown and Matis (Licensed Distributions). Soda has also recently entered into an agreement with Ferrosan Asia Pacific to be the exclusive distributor for their Imedeen branded healthy skin products.

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 placements formed part of the Kistani acquisition that was approved at the Extraordinary General Meeting of Shareholders held on the 9 September 2008.

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. For full details on the acquisition please refer to the NSX website for detailed announcements.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the parent entity during the financial year, except the following:

Changes in controlled entities and divisions:

- 1 The Company entered into an agreement on 10 June 2008 to acquire the business owned by Hair FX Australia Pty Ltd.
- 2 The company entered into an agreement on 10 June 2008 to acquire the entire issued share capital of Kistani Pty Ltd.

After Balance Date Events

The directors of the consolidated group have authorised the full-year financial report on 30 October 2008.

The following matters have arisen subsequent to 31 July 2008:

The agreement to acquire the entire issued share capital of Kistani Pty Ltd as noted in the previous paragraphs, was completed on 9 September 2008 as follows:

- 1(a) Issuance of 8,591,282 ordinary shares to Kistani Holdings Pty Ltd as of 9 September 2008.
- 1(b) Issuance of a further 2,777,778 ordinary shares to either Kistani Holdings Pty Ltd or Twincare International Pty Ltd at an issue price of 18 cents per share.
- 1(c) Issuance of 2,880,000 ordinary shares to Kistani Holdings Pty Ltd after 31 July 2011, subject to agreed performance targets.
- 1(d) Issuance of 5,760,000 Ordinary shares to Kistani Holdings Pty Ltd after 31 July 2012, subject to agreed performance targets.

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DIRECTORS' REPORT**

- 1(e) Issuance of 11,831,673 options over unissued ordinary shares to Kistani Holdings Pty Ltd at an issue price of 20 cents per share, exercisable before 31 January 2010.
- 1(f) Issuance of 100,000 options over unissued shares to Kistani Holdings Pty Ltd at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(g) Issuance of 500,000 options over unissued shares to Maximize Equity Pty Ltd at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(h) Issuance of 500,000 options over unissued shares to Stavros Dimitriadis at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(i) Issuance of 150,000 options over unissued shares to Richard Stanley at an issue price of 25 cents per share, exercisable before 1 August 2012.

There were at the date of this report no other matter or circumstances which have arisen since 31 July 2008 that have significantly affected or may significantly affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity.

Future Developments, Prospects and Business Strategies

To further improve the consolidated group's profit and maximise shareholder wealth, the following developments are considered important:

The acquisition of Kistani Pty Ltd and Hair FX business will strengthen the consolidated group's position within the industry by being able to offer an extensive range of hair care products to its customers. It will also provide greater economies of scale in current business.

These developments, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the consolidated group's long-term goals and development of new business opportunities.

Environmental Issues

The consolidated group's operations are not subject to any significant environmental regulation under the law of the Commonwealth and State. The Company promotes refillable containers for its products to reduce any adverse impact on the environment.

Information on Directors

FAIRFULL Andrew (Non-exec Chairman)

Qualifications	Bachelor of Commerce, MAICD, SA Fin
Experience	Eleven year financial service industry experience with Souls Private Equity Limited and six years chartered accounting experience
Interest in Shares and Options	115,000 Fully Paid Ordinary Shares - 0.34% of issued Capital and 250,000 options
Directorships held in other listed entities	None

GHATTAS Nicholas (Executive Director)

Qualifications	Bachelor of Commerce
Experience	Eleven year hair care business experience and four years chartered accounting experience
Interest in Shares and Options	1,275,000 Fully Paid Ordinary Shares - 3.75% of Issued Capital and 1,000,000 Options
Directorships held in other listed entities	None

DIMITRIADIS Stavros (Executive Director)

Experience	Twelve years experience in managing a large multiline haircare and beauty distribution business in South Africa.
Interest in Shares and Options	Nil

BRETT Hilton (Non-exec Director)

Qualifications	Bachelor of Commerce, PGDA CA(SA)
Experience	Chief Executive Officer and other key executive positions with several entities and overseeing trade sale of those entities.
Interest in Shares and Options	150,000 Fully Paid Ordinary Shares - 0.44% of issued Capital and 250,000 options
Directorships held in other listed entities	RCG Corporation Limited

KULMAR Stephen (Non-exec Director)

Qualifications	
Experience	34 years in advertising industry; currently Chief Executive Officer of Ideaworks. Extensive experience in retail, brand, distribution and marketing with blue chip organisations.
Interest in Shares and Options	40,000 Fully Paid Ordinary Shares - 0.12% of issued Capital and 250,000 options
Directorships held in other listed entities	RCG Corporation Limited

KROK Maxim (Non-executive Director)

Qualifications	BA & LLB Degree in Law from University of Witwaterand in South Africa.
Experience	Over 30 year of international senior management and board experience in numerous industries such as services, entertainment & gaming amusement parks, pharmaceuticals, healthcare & beauty and property
Interest in Shares and Options	Nil
Directorships held in other listed entities	Non Executive Director of Signature Group. Director of Gold Reef Resorts Limited.

**SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of Soda Brands Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Soda Brands Limited has been designed to align key management personnel 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 consolidated group's financial results. The board of Soda Brands Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed by the remuneration committee and approved by the board.
- All key management personnel 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 key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Schools methodology.

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. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The board intends to develop and implement a comprehensive performance based remuneration policy, with the anticipated growth of the business.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been designed to increase goal congruence between shareholders, directors and executives.

The following table shows the gross revenue, profits and dividends for the last three years for the listed entity.

	2006	2007	2008
Revenue	1,827,341	2,461,604	2,655,415
Net Loss	(243,893)	(794,873)	(320,450)
Share Price at Year-end	N/A	17 Cents	15 Cents
Dividends	Nil	Nil	Nil

Key Management Personnel Remuneration Policy

The board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the Managing director is formalised in a contract of employment.

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DIRECTORS' REPORT**

Key Management Personnel Remuneration

	Short-term benefits	Post Employment Benefits	Total	Performance Related
	Cash, salary & commissions	Superannuation \$	\$	%
2008				
Key Management Person				
FAIRFULL Andrew (Non-exec Chairman)	24,385	1,565	25,950	0.00%
GHATTAS Nicholas (Executive Director)	198,147	15,604	213,751	0.00%
DIMITRIADIS Stavros (Executive)	1,500	135	1,635	0.00%
BRETT Hilton (Non-exec Director)	10,900	10,900	21,800	0.00%
KULMAR Stephen (Non-exec Director)	20,000	1,800	21,800	0.00%
KROK Maxim (Non-executive Director)	-	-	-	0.00%
	<u>254,932</u>	<u>30,004</u>	<u>284,936</u>	

	Short-term benefits	Post Employment Benefits	Total	Performance Related
	Cash, salary & commissions	Superannuation \$	\$	%
2007				
Key Management Person				
FAIRFULL Andrew (Non-exec Chairman)	24,000	2,160	26,160	0.00%
GHATTAS Nicholas (Executive Director)	188,447	16,960	205,407	0.00%
BRETT Hilton (Non-exec Director)	21,800	-	21,800	0.00%
KULMAR Stephen (Non-exec Director)	12,717	-	12,717	0.00%
	<u>246,964</u>	<u>19,120</u>	<u>266,084</u>	

Performance income as a proportion of total remuneration

Executive directors and executives are not paid performance based bonuses based on set monetary figures or proportions of their salary, presently. The remuneration committee plans to develop appropriate performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Options issued as part of remuneration for the year ended 31 July 2008

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Soda Brands Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Options Granted

	Terms & Conditions for Each Grant						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Key Management Personnel							
FAIRFULL Andrew (Non-exec Chairman)		250,000	1/12/2006	Nil	25 Cents	-	31/07/2012
GHATTAS Nicholas (Executive Director)		1,000,000	1/12/2006	Nil	25 Cents	-	31/07/2012
DIMITRIADIS Stavros (Executive Director)		-	-	-	-	-	-
BRETT Hilton (Non-exec Director)		250,000	1/12/2006	Nil	25 Cents	-	31/07/2012
KULMAR Stephen (Non- exec Director)		250,000	1/12/2006	Nil	25 Cents	-	31/07/2012
KROK Maxim (Non- executive Director)		-	-	-	-	-	-
		<u>1,750,000</u>					

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DIRECTORS' REPORT

No Shares are Issued on Exercise of Compensation Options during this financial year.

Meetings of Directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors' names	Directors'		Committee Meetings			
	Number eligible to attend	Number attended	Audit		Remuneration	
			Number eligible to attend	Number attended	Number eligible to attend	Number attended
FAIRFULL Andrew (Non-exec Chairman)	7	7	1	1	1	1
GHATTAS Nicholas (Executive Director)	7	7	1	1	-	-
DIMITRIADIS Stavros (Executive Director)	-	-	-	-	-	-
BRETT Hilton (Non-exec Director)	7	7	-	-	1	1
KULMAR Stephen (Non-exec Director)	7	7	-	-	1	1
KROK Maxim (Non-executive Director)	-	-	-	-	-	-

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$8,158 for each of the directors named below:

FAIRFULL Andrew (Non-exec Chairman)
GHATTAS Nicholas (Executive Director)
DIMITRIADIS Stavros (Executive Director)
BRETT Hilton (Non-exec Director)
KULMAR Stephen (Non-exec Director)
KROK Maxim (Non-executive Director)

Options

At the date of this report, the unissued ordinary shares of Soda Brands Limited under option are as follows

Grant Date	Earliest date exercisable	Date of expiry	Exercise price	Number under option
1/12/2006	2/01/2009	31/07/2012	25c	1,750,000
9/09/2008	1/08/2008	31/01/2010	20c	11,831,673
9/09/2008	1/08/2009	1/08/2012	25c	1,250,000
				<u>14,831,673</u>

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, 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 audit committee 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

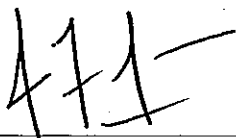
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DIRECTORS' REPORT**

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2008:

	\$
Taxation services	2,000
Accounting Services in connection with preparation of the statutory Financial Statement of the consolidated group.	2,500
	<u>4,500</u>

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 July 2008 has been received and can be found on page 7 of the directors' report.



Director

FAIRFULL Andrew (Non-exec Chairman)

Dated this 30th day of October 2008

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SODA BRANDS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 31 July 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm Rothsay Chartered Accountants

Name of Partner Frank Vrachas 

Date 30/10/2008

Address Level 18/ 6-10 O'Connell Street, Sydney NSW 2000

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
INCOME STATEMENT FOR THE YEAR ENDED 31 JULY 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	2,655,415	2,454,678	4,080,526	243,968
Other income	2	-	6,926	-	6,926
Changes in inventories of finished goods and work in progress		(1,152,406)	(1,366,407)	(1,089,251)	(128,677)
Employee benefits expense		(921,619)	(847,212)	(850,129)	(803,001)
Sales, marketing and branding expense		(267,179)	(476,486)	(253,952)	(365,216)
Distribution Expense		(178,415)	(155,745)	(166,321)	(145,280)
Depreciation and amortisation expense		(132,338)	(109,273)	(132,338)	(43,262)
Other expenses		(308,231)	(229,438)	(296,846)	(184,203)
Finance costs		(15,677)	(71,916)	(15,677)	(71,916)
Loss before income tax	3	(320,450)	(794,873)	1,276,012	(1,490,661)
Income tax expense	4	-	-	-	-
Loss from continuing operations		(320,450)	(794,873)	1,276,012	(1,490,661)
Loss for the year		(320,450)	(794,873)	1,276,012	(1,490,661)
Loss attributable to members of the parent entity		(320,450)	(794,873)	1,276,012	(1,490,661)
Overall Operations					
Basic earnings per share (cents per share)	7	(0.94)	(3.12)		
Diluted earnings per share (cents per share)	7	(0.90)	(3.00)		
Continuing Operations					
Basic earnings per share (cents per share)	7	(0.94)	(3.12)		
Diluted earnings per share (cents per share)	7	(0.90)	(3.00)		
Dividends per share (cents)		-	-		

The accompanying notes form part of these financial statements.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
BALANCE SHEET AS AT 31 JULY 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	120,024	667,865	117,761	658,990
Trade and other receivables	9	362,364	434,499	1,074,046	46,722
Inventories	10	1,719,577	832,681	1,672,450	13,873
Other current assets	15	366,818	55,553	24,930	54,838
TOTAL CURRENT ASSETS		2,568,783	1,990,598	2,889,187	774,423
NON-CURRENT ASSETS					
Financial assets	11	-	-	3,293,841	3,022,460
Property, plant and equipment	13	192,720	275,081	23,719	123,033
Intangible assets	14	3,293,136	3,021,756	-	-
TOTAL NON-CURRENT ASSETS		3,485,856	3,296,837	3,317,560	3,145,493
TOTAL ASSETS		6,054,639	5,287,435	6,206,747	3,919,916
CURRENT LIABILITIES					
Trade and other payables	16	1,258,508	185,765	1,252,675	256,768
Short-term provisions	18	24,001	9,090	24,001	9,090
TOTAL CURRENT LIABILITIES		1,282,509	194,855	1,276,676	265,858
TOTAL LIABILITIES		1,282,509	194,855	1,276,676	265,858
NET ASSETS		4,772,130	5,092,580	4,930,071	3,654,058
EQUITY					
Issued capital	19	6,912,808	6,912,808	6,912,808	6,912,808
Reserves		(9,521)	(9,520)	-	-
Accumulated Loss		(2,131,157)	(1,810,708)	(1,982,737)	(3,258,750)
TOTAL EQUITY		4,772,130	5,092,580	4,930,071	3,654,058

The accompanying notes form part of these financial statements.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2008

	Ordinary Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Total
Consolidated Group	\$	\$	\$	\$
Balance at 1 August 2006	1,340,100	(1,015,835)	-	324,265
Shares issued during the year	6,100,000	-	-	6,100,000
Transaction costs	(527,292)	-	-	(527,292)
Loss attributable to members of parent entity	-	(794,872)	-	(794,872)
Adjustments from translation of foreign controlled entities	-	-	(9,520)	(9,520)
Sub-total	6,912,808	(1,810,707)	(9,520)	5,092,581
Dividends paid or provided for	-	-	-	-
Balance at 31 July 2007	6,912,808	(1,810,707)	(9,520)	5,092,581
Loss attributable to members of parent entity	-	(320,450)	-	(320,450)
Adjustments from translation of foreign controlled entities	-	-	(1)	(1)
Sub-total	6,912,808	(2,131,157)	(9,521)	4,772,130
Dividends paid or provided for	-	-	-	-
Balance at 31 July 2008	6,912,808	(2,131,157)	(9,521)	4,772,130

The accompanying notes form part of these financial statements.

	Ordinary Share Capital	Retained Earnings	Foreign Currency Translation	Total
Parent Entity	\$	\$	\$	\$
Balance at 1 August 2006	1,340,100	(1,768,088)	-	(427,988)
Shares issued during the year	6,100,000	-	-	6,100,000
Transaction costs	(527,292)	-	-	(527,292)
Loss attributable to members of parent entity	-	(1,490,661)	-	(1,490,661)
Sub-total	6,912,808	(3,258,749)	-	3,654,059
Dividends paid or provided for	-	-	-	-
Balance at 31 July 2007	6,912,808	(3,258,749)	-	3,654,059
Loss attributable to members of parent entity	-	1,276,012	-	1,276,012
Sub-total	6,912,808	(1,982,737)	-	4,930,071
Dividends paid or provided for	-	-	-	-
Balance at 31 July 2008	6,912,808	(1,982,737)	-	4,930,071

The accompanying notes form part of these financial statements.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2008

Note	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	2,504,284	2,473,245	3,557,645	152,424
Interest received	33,238	49,077	33,238	49,077
Payments to suppliers and employees	(2,748,329)	(3,629,329)	(3,638,229)	(1,500,067)
Finance costs	(15,677)	(71,916)	(15,677)	(71,916)
Net cash used in operating activities	24a	(226,484)	(1,178,923)	(63,023)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of business - Hair FX	(271,380)	-	(271,380)	-
Purchase of property, plant and equipment	(49,977)	(86,832)	(33,024)	(63,282)
Purchase of investments	-	(3,021,756)	-	-
Payment for subsidiary, net of cash acquired	24b	-	-	(3,022,459)
Net cash provided by (used in) investing activities		(321,357)	(3,108,588)	(304,404)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	5,572,708	-	5,572,707
Proceeds from borrowings	-	-	-	174,505
Repayment of borrowings	-	(620,000)	(173,802)	(620,000)
Net cash provided by (used in) financing activities	-	4,952,708	(173,802)	5,127,212
Net increase in cash held		(547,841)	665,197	(541,229)
Cash at beginning of financial year		667,865	2,668	658,990
Cash at end of financial year	8	120,024	667,865	117,761

The accompanying notes form part of these financial statements.

**SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008**

Note 1 Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Soda Brands Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Soda Brands Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which Soda Brands Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 12 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Soda Brands Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Soda Brands Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to the contribution to the net profit before tax of the tax consolidated group.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

(d) Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that 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.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	15-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) 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 subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Financial Liabilities

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

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.

Equity-settled compensation

The group operates a number of share-based compensation plans. These includes both a share option arrangement for customers loyalty programme and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividend received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 31 July 2008. Should the projected turnover figures be outside 15% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 31 July 2008 amounting to \$3,293,136.

Key Judgments — Provision for Impairment of Receivables

- a. The directors believe that a provision for doubtful debts is reasonable and that all other trade debtors are fully recoverable as at the end of the financial year.
- b. The directors believe that all relevant factors such as realisability have been taken into consideration in determining the value of the inventories as described in note (c) above.

Note 2 Revenue

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Sales Revenue					
— sale of goods		2,622,177	2,405,601	4,047,288	194,891
Total Sales Revenue		2,622,177	2,405,601	4,047,288	194,891
Other Revenue					
— interest received	2(a)	33,238	49,077	33,238	49,077
Total Other Revenue		33,238	49,077	33,238	49,077
Total Sales Revenue and Other Revenue		2,655,415	2,454,678	4,080,526	243,968
Other Income					
— Other revenue from operating activities		-	6,926	-	6,926
Total Other Income		-	6,926	-	6,926
(a) Interest revenue from:					
— Ultimate parent entity		33,238	49,077	33,238	49,077
Total interest revenue		33,238	49,077	33,238	49,077

Note 3 Profit for the Year

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Expenses				
Cost of sales	1,091,996	1,366,407	1,089,251	128,677
Finance costs:				
— Ultimate parent entity	-	71,916	-	71,916
— Other persons	15,677	-	15,677	-
Total finance costs	15,677	71,916	15,677	71,916
Rental expense on operating leases				
— minimum lease payments	53,674	49,695	53,674	49,695

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 4 Income Tax Expense

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
(a) The components of tax expense comprise:					
Current tax					
Deferred tax	17				
Recoupment of prior year tax losses					
Under provision in respect of prior years					
		-	-	-	-
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)					
— consolidated group		(96,135)	(238,462)		
— parent entity				382,804	(447,198)
Add:					
Tax effect of:					
— other non-allowable items		24,428	-	24,428	-
		(71,707)	(238,462)	407,232	(447,198)
Less:					
Tax effect of:					
— Other deductible expenses		2,727	-	2,727	-
Income tax credit for the year attributable to parent entity not brought to accounts as deferred tax assets.		(74,434)	(238,462)	404,505	(447,198)
As disclosed in note 17, the deferred tax assets arising from current and previous years losses have not been brought to accounts as the directors are of the opinion that the deferred tax asset recognition conditions as set out in AASB 112.					

Note 5 Key Management Personnel Compensation

(a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person

FAIRFULL Andrew (Non-exec Chairman)
GHATTAS Nicholas (Executive Director)
BRETT Hilton (Non-exec Director)
KULMAR Stephen (Non-exec Director)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

	Balance 1/08/2007	Granted as Compensation	Options Exercised*	Net Change Other*	Balance 31/07/2008	Total Vested 31/07/2008	Total Exercisable 31/07/2008	Total Unexercisable 31/07/2008
FAIRFULL Andrew (Non-exec Chairman)	250,000	-	-	-	250,000	-	-	250,000
GHATTAS Nicholas (Executive Director)	1,000,000	-	-	-	1,000,000	-	-	1,000,000
BRETT Hilton (Non- exec Director)	250,000	-	-	-	250,000	-	-	250,000
KULMAR Stephen (Non-exec Director)	250,000	-	-	-	250,000	-	-	250,000
Total	1,750,000	-	-	-	1,750,000	-	-	1,750,000

(c) **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1/08/2007	Received as Compensation	Options Exercised	Net Change Other*	Balance 31/07/2008
Key Management Personnel					
FAIRFULL Andrew (Non-exec)	75,000	-	-	40,000	115,000
GHATTAS Nicholas (Executive)	1,275,000	-	-	-	1,275,000
BRETT Hilton (Non-exec)	150,000	-	-	-	150,000
KULMAR Stephen (Non-exec)	-	-	-	40,000	40,000
Total	1,500,000	-	-	80,000	1,580,000

* Net Change Other refers to shares purchased or sold during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 6 Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	20,500	7,000	20,500	7,000
— taxation services	2,000	1,240	2,000	1,240
— due diligence services	-	15,000	-	15,000

Note 7 Earnings per Share

	Consolidated Group	
	2008	2007
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Loss	(320,450)	(794,873)
Earnings used to calculate basic EPS	(320,450)	(794,873)
Earnings used in the calculation of dilutive EPS	(320,450)	(794,873)
(b) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	(320,450)	(794,873)
Earnings used to calculate basic EPS from continuing operations	(320,450)	(794,873)
Earnings used in the calculation of dilutive EPS from continuing operations	(320,450)	(794,873)
(c) Reconciliation of earnings to profit or loss from discontinuing operations		
Profit from discontinuing operations	-	-
Earnings used to calculated basic EPS from discontinuing operations	-	-
(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 34,000,000	No. 25,500,000
Weighted average number of options outstanding	1,750,000	1,020,833
Weighted average number of converting preference shares on issue		
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	35,750,000	26,520,833

Note 8 Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	120,024	667,865	117,761	658,990
	120,024	667,865	117,761	658,990

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	120,024	667,865	117,761	658,990
	120,024	667,865	117,761	658,990

Note 9 Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Trade receivables	364,607	344,687	361,097	1,268
Provision for impairment of receivables	(2,243)	-	(2,243)	-
	362,364	344,687	358,854	1,268
Other receivables	-	89,812	341,888	8,096
Amounts receivable from:				
— wholly-owned subsidiaries	-	-	373,304	37,358
	362,364	434,499	1,074,046	46,722

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 10 Inventories

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
At cost					
Finished goods		1,719,577	832,681	1,672,450	13,873
		<u>1,719,577</u>	<u>832,681</u>	<u>1,672,450</u>	<u>13,873</u>
		<u>1,719,577</u>	<u>832,681</u>	<u>1,672,450</u>	<u>13,873</u>

Note 11 Financial Assets

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Available-for-sale financial assets	11a	-	-	3,293,840	3,022,460
		<u>-</u>	<u>-</u>	<u>3,293,840</u>	<u>3,022,460</u>

(a) Available-for-sale financial assets Comprise:

NON CURRENT

Unlisted investments, at cost

— shares in controlled entities

		-	-	3,293,840	3,022,460
		<u>-</u>	<u>-</u>	<u>3,293,840</u>	<u>3,022,460</u>
		<u>-</u>	<u>-</u>	<u>3,293,840</u>	<u>3,022,460</u>

Total non-current available-for-sale financial assets

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Management has determined that the estimate of total consolidated fair values for unlisted investments would be within the range of \$3 millions to \$3.5 millions at 31 July 2008. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. No intention to dispose of any unlisted available-for-sale financial assets existed at 31 July 2008.

Note 12 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) [*]	
		2008	2007
Subsidiaries of Soda Brands Limited:			
SO Distributions Pty Ltd	Australia	100.00	100.00
Salon Only Pty Ltd	Australia	100.00	100.00
Soda Brands (NZ) Limited	New Zealand	100.00	100.00
Soda Brands (UK) Limited	United Kingdom	100.00	100.00

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

As disclosed in Note 26, the parent entity acquired entire the issued share capital of Kistani Pty Ltd on 09/09/2008.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 13 Plant and Equipment

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	568,203	570,947	237,248	287,389
Accumulated depreciation	(375,483)	(295,866)	(213,529)	(164,356)
Accumulated impairment losses	-	-	-	-
	<u>192,720</u>	<u>275,081</u>	<u>23,719</u>	<u>123,033</u>
Total plant and equipment	<u>192,720</u>	<u>275,081</u>	<u>23,719</u>	<u>123,033</u>
Total Property, Plant and Equipment	<u>192,720</u>	<u>275,081</u>	<u>23,719</u>	<u>123,033</u>

(a) Movements in Carrying Amounts

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

	Plant and Equipment	Total
	\$	\$
Consolidated Group:		
Balance at 1 August 2006	297,522	297,522
Additions	86,832	86,832
Depreciation expense	(109,273)	(109,273)
Balance at 31 July 2007	<u>275,081</u>	<u>275,081</u>
Additions	49,977	49,977
Depreciation expense	(132,338)	(132,338)
Balance at 31 July 2008	<u>192,720</u>	<u>192,720</u>
Parent Entity:		
Balance at 1 August 2006	103,013	103,013
Additions	63,282	63,282
Depreciation expense	(43,262)	(43,262)
Balance at 31 July 2007	<u>123,033</u>	<u>123,033</u>
Additions	33,024	33,024
Depreciation expense	(132,338)	(132,338)
Balance at 31 July 2008	<u>23,719</u>	<u>23,719</u>

The recoverable amount of the cash generating unit has been determined to be its fair value less costs to sell. The fair value was determined with reference to an active market, where the market price of similar equipment and of a similar age was used as the benchmark. Costs for selling the equipment were estimated based on the company's prior history of selling similar equipment.

Note 14 Intangible Assets

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Goodwill				
Cost	3,293,136	3,021,756	-	-
Accumulated impaired losses	-	-	-	-
Net carrying value	<u>3,293,136</u>	<u>3,021,756</u>	<u>-</u>	<u>-</u>
Total intangibles	<u>3,293,136</u>	<u>3,021,756</u>	<u>-</u>	<u>-</u>

Consolidated Group:

	Goodwill
	\$
Year ended 31 July 2007	
Balance at the beginning of year	-
Additions-Purchase of Salon Only Pty Ltd	<u>3,021,756</u>
	<u>3,021,756</u>
Year ended 31 July 2008	
Balance at the beginning of year	3,021,756
Additions-Business purchase of Hair FX	271,380
Amortisation charge	-
Impairment losses	-
Closing value at 31 July 2008	<u>3,293,136</u>

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments

	2008 \$	2007 \$
Distribution segment	3,293,136	3,021,756
Total	<u>3,293,136</u>	<u>3,021,756</u>

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10-year government bonds, risk adjusted for the segment, at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Distribution segment	20.00%	15.00%

Management has based the value-in-use calculations on budgets for the reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with the segment.

Note 15 Other Assets

	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
CURRENT				
Prepayments	24,930	55,552	24,930	54,838
Other assets	341,888	-	-	-
	<u>366,818</u>	<u>55,552</u>	<u>24,930</u>	<u>54,838</u>

Note 16 Trade and Other Payables

	Note	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
CURRENT					
Unsecured liabilities					
Trade payables		286,241	85,042	283,892	4,774
Sundry payables and accrued expenses		972,267	100,723	968,783	77,489
— subsidiaries of ultimate parent entity		-	-	-	174,505
		<u>1,258,508</u>	<u>185,765</u>	<u>1,252,675</u>	<u>256,768</u>

Note 17 Tax

	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
Liabilities				
CURRENT				
Income Tax	-	-	-	-
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NON CURRENT				
Deferred tax assets not brought to account, the benefit of which will only be realised if the conditions for deductibility set out in Note 1 (b) occur are as follows:				
tax losses				
- operating losses	623,406	513,289	571,460	497,026
Temporary Differences	24,428	2,727	24,428	2,727
TOTAL	<u>647,834</u>	<u>516,016</u>	<u>595,887</u>	<u>499,753</u>

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 18 Provisions

CURRENT	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Employee Entitlements				
Opening balance at 1 August 2007	9,090	9,090	9,090	9,090
Additional provisions	14,911	-	14,911	-
Balance at 31 July 2008	<u>24,001</u>	<u>9,090</u>	<u>24,001</u>	<u>9,090</u>

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current	24,001	9,090	24,001	9,090
Non-current	-	-	-	-
	<u>24,001</u>	<u>9,090</u>	<u>24,001</u>	<u>9,090</u>

Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 19 Issued Capital

34,000,000 (2007: 34,000,000) fully paid ordinary shares

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$
6,912,808	6,912,808	6,912,808	6,912,808
<u>6,912,808</u>	<u>6,912,808</u>	<u>6,912,808</u>	<u>6,912,808</u>

(a) Ordinary Shares

At the beginning of reporting period

Shares issued during year

— 1/10/2005

— 31/07/2006

— 30/09/2007

Shares consolidation

— 30/09/2007

Shares Issued in pursuant to company listing on the National Stock Exchange (NSX).

Shares issued in consideration of the acquisition of Salon Only Pty Ltd

At reporting date

Consolidated Group		Parent Entity	
2008	2007	2008	2007
No.	No.	No.	No.
34,000,000	19,000,000	19,000,000	10,000,000
			333,333
			8,666,667
	1,000,000		
	(10,000,000)		
	20,000,000		
	4,000,000		
<u>34,000,000</u>	<u>34,000,000</u>	<u>19,000,000</u>	<u>19,000,000</u>

(b) Options

(i) For information relating to the Soda Brands Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 25: Share-based Payments.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 25: Share-based Payments.

(e) Capital Management

Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the group's capital by assessing the groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

As at 31 July 2008, the group and the parent entity did not have any borrowings. (as at 31/07/07: Nil)

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 20 Reserves

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 21 Capital and Leasing Commitments

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable — minimum lease payments				
— not later than 12 months	27,878	42,356	27,878	42,356
— between 12 months and 5 years	19,040	89,332	19,040	89,332
— greater than 5 years				
	<u>46,918</u>	<u>131,688</u>	<u>46,918</u>	<u>131,688</u>

The property lease is a non-cancellable lease with a three-year term with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payment shall be increased by the CPI. An option exist to renew the lease at the end of the three year term for an additional term of five years.

Note 22 Contingent Liabilities and Contingent Assets

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Estimates of the potential financial effect of contingent liabilities that may become payable:	-	-	-	-
There are no contingent assets or liabilities as at the end of the financial year.				

Note 23 Segment Reporting

	Distribution	
	2008	2007
Primary Reporting — Business Segments		
REVENUE		
External Sales	2,622,177	2,461,604
Other segments		
Total sales revenue	<u>2,622,177</u>	<u>2,461,604</u>
Total revenue		
RESULT		
Segment result	<u>(304,773)</u>	<u>(722,957)</u>
Finance Costs	(15,677)	(71,916)
Profit before income	<u>(320,450)</u>	<u>(794,873)</u>
ASSETS		
Segment assets		
Total assets	6,054,639	5,287,434
LIABILITIES		
Segment liabilities	1,282,509	194,855
OTHER		
Acquisitions of non-current segment assets	3,293,136	3,021,756
Depreciation and amortisation of segment assets	(132,338)	(109,273)

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Secondary Reporting — Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Geographical location:						
Australia	2,551,779	2,375,706	6,196,520	5,334,897	3,486,561	3,297,541
New Zealand	70,398	29,898	(141,883)	(47,465)		
United Kingdom			2	2		
Other Countries						
	<u>2,622,177</u>	<u>2,405,604</u>	<u>6,054,639</u>	<u>5,287,434</u>	<u>3,486,561</u>	<u>3,297,541</u>

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business segments

The consolidated group has the following business segment:

Distribution division provides a range of services throughout Australia and New Zealand and the United Kingdom.

Geographical segments

The consolidated group's business segments are located in Australia, New Zealand and United Kingdom.

Note 24 Cash Flow Information

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	(320,450)	(794,873)	1,276,012	(1,490,661)
Non-cash flows in profit				
Depreciation	132,338	109,273	132,338	43,262
Foreign exchange translation reserve		(9,520)		
(Increase)/decrease in trade and term receivables	(239,131)	(169,447)	(997,414)	84,717
(Increase)/decrease in prepayments		(6,890)		(6,176)
(Increase)/decrease in inventories	(886,896)	(171,986)	(1,658,578)	10,072
Increase/(decrease) in trade payables and accruals	1,072,744	(135,480)	1,169,708	(11,696)
Increase/(decrease) in provisions	14,911		14,911	
Cash flow from operations	<u>(226,484)</u>	<u>(1,178,923)</u>	<u>(63,023)</u>	<u>(1,370,482)</u>
(b) Acquisition of Entities				
Purchase consideration - Salon Only Pty Ltd				3,021,756
Cash consideration				<u>2,021,756</u>
Cash outflow	-	-	-	<u>2,021,756</u>
Goodwill on consolidation				
		3,021,756		
	-	<u>3,021,756</u>	-	-

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 25 Share-based Payments

The following share-based payment arrangements existed on 31 July 2008 :

1,750,000 share options granted in financial year 2007 to directors as disclosed in Note 5.

The above options grant a right, on exercise, to be issued one ordinary share at an exercise price of 25 cents per share.

The options expire on 31 July 2011, if not exercised by that date. As the fair value of the options issued at the time of the issue or since has not exceeded the exercise price of 25 cents, no amount has been expensed as directors remuneration per Accounting Standard AASB 1046.

1,700,000 Employees' Options are to be issued on expiry of four years from the date of public listing of shares (i.e. Jan 2011)

3,400,000 Loyalty Plan Options are to be issued on or after the expiry of 13 months from the date of public listing (i.e. 2 Feb 2008). The Company's potential exposure based on current sales achieved by customers in the loyalty program amounts to \$84,000.

All options granted to key management personnel are ordinary shares in Soda Brands Limited which confer a right of one ordinary share for every option held.

	Consolidated Group			
	2008		2007	
	Number of Options	Exercise Price \$	Number of Options	Exercise Price \$
Outstanding at the beginning of the year	1,750,000	25 cents	-	-
Granted	-	-	1,750,000	25 cents
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year- end	1,750,000	25 cents	1,750,000	25 cents
Exercisable at year- end	1,750,000	25 cents	1,750,000	25 cents

Included under employee benefits expense in the income statement is nil (2007: nil), and relates, in full, to equity-settled share-based payment transactions, as the exercise price on the date of issue and since the day of issue of the options was equal or less than the fair value of the shares.

A further 13,081,673 options on unissued shares have been granted on 09/09/2008 as per Note 26.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 26 Events After the Balance Sheet Date

The directors of the consolidated group have authorised the full-year financial report on 9 September 2008.

The following matters have arisen from 31 July 2008:

The agreement to acquire the entire issued share capital of Kistani Pty Ltd as noted in the previous paragraphs, was completed on 9 September 2008 as follows:

- 1(a) Issuance of 8,591,282 ordinary shares to Kistani Holdings Pty Ltd as of 9 September 2008.
- 1(b) Issuance of a further 2,777,778 ordinary shares to either Kistani Holdings Pty Ltd or Twincare International Pty Ltd at an issue price of 18 cents per share.
- 1(c) Issuance of 2,880,000 ordinary shares to Kistani Holdings Pty Ltd after 31 July 2011, subject to agreed performance targets.
- 1(d) Issuance of 5,760,000 Ordinary shares to Kistani Holdings Pty Ltd after 31 July 2012, subject to agreed performance targets.
- 1(e) Issuance of 11,831,673 options over unissued ordinary shares to Kistani Holdings Pty Ltd at an issue price of 20 cents per share, exercisable before 31 January 2010.
- 1(f) Issuance of 100,000 options over unissued shares to Kistani Holdings Pty Ltd at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(g) Issuance of 500,000 options over unissued shares to Maximize Equity Pty Ltd at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(h) Issuance of 500,000 options over unissued shares to Stavros Dimitriadis at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(i) Issuance of 150,000 options over unissued shares to Richard Stanley at an issue price of 25 cents per share, exercisable before 1 August 2012.
- 1(j) Appointment of Mr. Stavros Dimitriadis as a executive directors of the Company.
- 1(k) Appointment of Mr. Maxim Krok as a non executive directors of the Company.

There were at the date of this report no other matter or circumstances which have arisen since 31 July 2008 that have significantly affected or may significantly affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity.

Note 27 Related Party Transactions

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(a) Ultimate Parent Company				
Cash facilities from/(to) ultimate parent entity, Souls Private Equity Limited (SPEL)	(140,000)	-	(140,000)	-
Payment/ (Receipt) of interest on cash facilities provided by SPEL.	(33,238)	71,916	(33,238)	71,916
(b) Wholly owned subsidiaries				
Receivable from/ (to) subsidiary - So Distribution Pty Ltd	-	-	178,591	(174,505)
Receivable from/ (to) subsidiary - Soda Brands (NZ) Pty Ltd	-	-	194,713	37,358
(c) Identification of Related Parties: Ultimate Parent Entity				
Shares issued to SPEL as at 31 July 2008	23,200,733	23,200,733	23,200,733	23,200,733
The parent entity is ultimately controlled by Souls Private Equity Limited which held 68.2% of the issued share capital of the parent entity as at 31 July 2008. Soul Private Equity Limited (SPEL) is incorporated in Australia.				

Note 28 Financial Risk Management

(a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

The group is debt free, therefore the group is not exposed to interest rate risk except that any variations in base lending rates may affect the interest receivables on excess funds in the bank.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 28(b)(i) for further details.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Price risk

The group is exposed to price risk in respect of packaging and raw material for production of hair care products.

(b) Financial Instruments

(i) Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 years	
	%		\$		\$		\$	
	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated Group Financial Assets:								
Cash and cash equivalents	5.25	5.25	120,024	667,865	-	-	-	-
Receivables			-	-	-	-	-	-
Other assets			-	-	-	-	-	-
Total Financial Asset			120,024	667,865	-	-	-	-
			Fixed Interest Rate Over 5 Years		Non-interest Bearing		Total	
			\$		\$		\$	
			2008	2007	2008	2007	2008	2007
Financial Assets:								
Cash and cash equivalents			-	-	-	-	120,024	667,865
Receivables			-	-	362,364	434,499	362,364	434,499
Other assets			-	-	366,818	55,553	366,818	55,553
Total Financial Asset			-	-	729,182	490,052	849,205	1,157,917

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 years	
	%		\$		\$		\$	
	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated Group Financial Liabilities:								
Trade and sundry payables			-	-	-	-	-	-
Total Financial Liabilities			-	-	-	-	-	-
			Fixed Interest Rate Over 5 Years		Non-interest Bearing		Total	
			\$		\$		\$	
			2008	2007	2008	2007	2008	2007
Financial Liabilities:								
Trade and sundry payables			-	-	1,258,508	185,765	1,258,508	185,765
Total Financial Liabilities			-	-	1,258,508	185,765	1,258,508	185,765

(ii) Net Fair Values

The net fair values of:

- Receivables and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Fair values are materially in line with carrying values.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Note 29 Company Details

The registered office of the company is:

Soda Brands Limited
3A/3 140 William Street
Woolloomooloo NSW 2011

The principal places of business are:

Soda Brands Limited
3A/3 140 William Street
Woolloomooloo NSW 2011

**SODA BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 27, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 July 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. the directors' have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. 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



FAIRFULL Andrew (Non-exec Chairman)

Dated this 30th day of October 2008

ROTHSAY CHARTERED ACCOUNTANTS

ABN 59 087 479 410

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SODA BRANDS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Soda Brands Limited (the company) and Soda Brands Limited and controlled entities (the consolidated entity), which comprises the balance sheet as at 31 July 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 1 to 6 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Soda Brands Limited on [insert date], would be in the same terms if provided to the directors as at the date of this auditor's

Auditor's Opinion

In our opinion:

a. the financial report of Soda Brands Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2008 and of their performance for the year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

Name of Firm: Rothsay Chartered Accountants

Name of Partner: Frank Vrachas

Address: Level 18, 6-10 O'Connell Street, SYDNEY NSW 2000

Dated this 30th day of October 2008



SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION

The following additional information is required to be disclosed as per the Listing Rules

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	-
1,001 – 5,000	2
5,001 – 10,000	142
10,001 – 100,000	104
100,001 – and over	13
	<u>261</u>

b. The number of shareholdings held in less than marketable parcels is Nil.

c. The names of the substantial shareholders listed in the holding company's register as at 31 July 2008 are:

Shareholder	Number Ordinary
Avenue Investments (Aust) Pty Ltd	1,275,000
Chris Boffa Pty Ltd	548,106
Cordony & Co Pty Ltd	548,106
Cordony Salons Pty Ltd	548,106
Frank Boffa Pty Ltd	548,106
Mr Nicholas Ghattas and Mrs Mary Ghattas	466,667
Herway Pty Ltd	548,106
Mydate Pty Ltd	1,200,000
Rastana Holdings Pty Ltd	150,000
Soul Private Equity Limited	23,200,733
Temant Ptd Ltd	150,000
Tidereef Pty Ltd	261,000
Scarf Family Superannation	231,470

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Avenue Investments (Aust) Pty Ltd	1,275,000	3.75
2. Chris Boffa Pty Ltd	548,106	1.61
3. Cordony & Co Pty Ltd	548,106	1.61
4. Cordony Salons Pty Ltd	548,106	1.61
5. Frank Boffa Pty Ltd	548,106	1.61
6. Mr Nicholas Ghattas and Mrs Mary Ghattas	466,667	1.37
7. Herway Pty Ltd	548,106	1.61
8. Mydate Pty Ltd	1,200,000	3.53
9. Rastana Holdings Pty Ltd	150,000	0.44
10. Soul Private Equity Limited	23,200,733	68.24
11. Temant Ptd Ltd	150,000	0.44
12. Tidereef Pty Ltd	261,000	0.77
13. Scarf Family Superannation	231,470	0.68
14. Mr Dennis Deane Arnold	80,000	0.24
15. Balmerino Pty Ltd	80,000	0.24
16. Busker's End Pty Ltd	100,000	0.29
17. Carojon Pty Ltd	100,000	0.29
18. D J Fairfull Pty Ltd	100,000	0.29
19. Fairfull Nominees Pty Ltd	115,000	0.34
20. Mr Ronald Bernard Gaffney	100,000	0.29
	<u>30,350,400</u>	<u>89.27</u>

f. 20 Largest Shareholders — Redeemable Preference Shares

**SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION**

Name	Number of Redeemable Preference Fully Paid Shares Held	% Held of Issued Redeemable Preference Shares
1. No Preference shares issued	Nil	Nil
2. The name of the company secretary is GHATTAS Nicholas		
3. The address of the principal registered office in Australia is 3A/3, 140 William Street, Woolloomooloo, NSW 2011. Telephone 02 8356 9222.		
4. Registers of securities are held at the following address: Registries Ltd, Level 7, 207 Kent St, Sydney, NSW 2000		
5. Stock Exchange Listing		
The ordinary shares of the company are listed on National Stock Exchange Limited (NSX).		
6. Unquoted Securities		
Converting Preference Shares		
No converting preference shares are on issue.		
Options over Unissued Shares		
A total of 1,750,000 options are on issue. 1,000,000 options are on issue to managing director (Nicholas Ghatta) and 250,000 options each are on issue the Non-Executive directors, Mr Hilton Brett, Mr Andrew Fairfull and Mr Stephen Kulmar.		