

# **SODA BRANDS LIMITED AND CONTROLLED ENTITIES**

**ABN: 91 081 149 635  
HALF YEAR REPORT  
For The Six Months Ended  
31 January 2009**

# **SODA BRANDS LIMITED AND CONTROLLED ENTITIES**

**31 January 2009**

**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 of the consolidated group for the half year ended 31 January 2009.

**Directors**

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

FAIRFULL Andrew (Non-executive Chairman)  
GHATTAS Nicholas (Executive Director)  
DIMITRIADIS Stavros (Executive Director) (appointed 9/09/08)  
BRETT Hilton (Non-executive Director)  
KULMAR Stephen (Non-executive Director)  
KROK Maxim (Non-executive Director) (appointed 9/09/08)

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

**Principal Activities**

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

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

**Review of Operations**

Soda Brands Limited (Soda) has incurred an operating loss of \$5.4 million for the six months ended January 31, 2009, including impairment charges of \$3.8 million and inventory provisions of \$500,000. The normalised operating loss totalled \$1.1 million, largely caused by overheads associated with the recent acquisitions and lower sales revenue amidst tough economic conditions. Directors are putting in a place a range of initiatives to counter-act the problems the company continues to face in light of the difficult economic climate.

The initiatives include an across the board cost-cutting program, with an objective to achieve break-even by the middle of 2009. A search for a new Chief Executive Officer is now underway following the resignation of Nicholas Ghattas, while another executive director, Stavros Dimitriadis, will resign. Mr Steven Beinart has been appointed as interim CEO.

To improve the company's economies of scale, directors have approved the acquisition of Incolabs, owner of the Innoxa branded skin care range. The acquisition is subject to successful due diligence enquiries.

Soda has entered a call option with the shareholders of Incolabs to acquire 100 per cent of the issued share capital for \$2.04 million – the value of the company's net assets. The exercise of the call option is subject to successful due diligence.

The Innoxa brand is 75 years old with a strong market position, enjoying excellent synergies with Soda's brands. If due diligence is successfully completed, the directors will announce a 1 for 1 rights issue at 7 cents per share to fund this acquisition. This would raise up to \$3.3 million.

The company's major shareholders, Souls Private Equity Limited (SPEL) and Maximize Equity Pty Limited (MEQ), have agreed to jointly underwrite the rights issue to the value of \$2.6 million. The issue will provide funding for the acquisition and facilitate the conversion of shareholder loans to equity.

Reflecting the expected joint holding of 86 per cent by SPEL and MEQ in Soda Brands, the board will include two representatives each from SPEL and MEQ. As a result, independent non-executive directors Hilton Brett and Stephen Kulmar will resign.

While the results are disappointing, directors are acting decisively to turnaround the business, whose strategy continues to be the aggregation of a group of established health and beauty brands for both retail and professional sales channels.

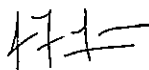
The restructuring of the management and the board, a cost cutting program, the recapitalisation and the potential acquisition of Incolabs, are all important steps to put the company in a stronger financial position.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the D362 for the half-year ended 31 January 2009 has been received and can be found on page 3 of the directors' report.

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

Director



**FAIRFULL Andrew (Non-executive Chairman)**

1 May 2009

**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 half year ended 31 January 2009 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      **Mr Frank Vrachas**

Date      **1/05/2009**

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

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

		Consolidated Group	
		Half year	Half-year
	Note	Ended 31	Ended 31
		January	January
		2009	2008
		\$	\$
Revenue		1,548,775	1,295,937
Changes in inventories of finished goods	2	(1,591,148)	(576,049)
Employee benefits expense		(646,208)	(369,749)
Advertising and promotion		(190,470)	(106,369)
Lisiting and compliance expenses		(73,769)	(40,767)
Impairment of goodwill		(3,808,871)	-
Depreciation and amortisation expense		(45,913)	(61,178)
Other expenses		(575,761)	(157,442)
Finance costs		(370)	(6,819)
Loss before income tax		(5,383,735)	(22,436)
Income tax expense		-	-
Loss attributable to members of the parent entity		<u>(5,383,735)</u>	<u>(22,436)</u>
<b>Overall Operations</b>			
Basic earnings per share (cents per share)		(12.39)	(0.07)
Diluted earnings per share (cents per share)		(9.71)	(0.06)
<b>Continuing Operations</b>			
Basic earnings per share (cents per share)		(12.39)	(0.07)
Diluted earnings per share (cents per share)		(9.71)	(0.06)

The accompanying notes form part of these financial statements.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2009**

	Note	Consolidated Group As at 31 January 2009 \$	As at 31 July 2008 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	-	120,024
Trade and other receivables		479,021	362,364
Inventories		1,138,931	1,719,577
Other current assets		20,065	366,818
<b>TOTAL CURRENT ASSETS</b>		<u>1,638,017</u>	<u>2,568,783</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		90,800	192,720
Intangible assets	5	-	3,293,136
<b>TOTAL NON-CURRENT ASSETS</b>		<u>90,800</u>	<u>3,485,856</u>
<b>TOTAL ASSETS</b>		<u><u>1,728,817</u></u>	<u><u>6,054,639</u></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,252,456	1,258,508
Financial liabilities	3	27,822	-
Short-term provisions		94,409	24,001
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,374,687</u>	<u>1,282,509</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions		-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>1,374,687</u>	<u>1,282,509</u>
<b>NET ASSETS</b>		<u><u>354,130</u></u>	<u><u>4,772,130</u></u>
<b>EQUITY</b>			
Issued capital	7	7,878,542	6,912,808
Reserves		(9,520)	(9,520)
Accumulated losses		(7,514,892)	(2,131,158)
<b>TOTAL EQUITY</b>		<u>354,130</u>	<u>4,772,130</u>

The accompanying notes form part of these financial statements.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

	Ordinary Share Capital	Accumulated Loss	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
<b>Consolidated Group</b>				
<b>Balance at 1 August 2007</b>	6,912,808	(1,810,708)	(9,520)	5,092,580
Loss for the half-year attributable to members of parent entity	-	(22,436)	-	(22,436)
<b>Balance at 31 January 2008</b>	6,912,808	(1,833,144)	(9,520)	5,070,144
Loss for the half year attributable to members of parent entity	-	(298,014)	-	(298,014)
<b>Balance at 31 July 2008</b>	6,912,808	(2,131,158)	(9,520)	4,772,130
Shares issued during the current period	965,734	-	-	965,734
Loss for the half year attributable to members of parent entity	-	(5,383,735)	-	(5,383,735)
<b>Balance at 31 January 2009</b>	7,878,542	(7,514,893)	(9,520)	354,130

The accompanying notes form part of these financial statements.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

	Consolidated Group	
	Half Year	Half Year
	Ended 31	Ended 31
Note	January	January
	2009	2008
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,857,150	1,375,596
Interest received	1,237	20,027
Payments to suppliers and employees	(2,455,863)	(1,408,703)
Finance costs	(370)	(6,819)
Net cash provided used in operating activities	<u>(597,846)</u>	<u>(19,899)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(32,681)
Purchase of goodwill	(50,000)	-
Net cash provided used in investing activities	<u>(50,000)</u>	<u>(32,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	500,000	-
Net cash provided by (used in) financing activities	<u>500,000</u>	<u>-</u>
Net decrease in cash held	(147,846)	(52,580)
Cash at beginning of financial half year	120,024	667,865
Cash at end of financial half year	3 <u>(27,822)</u>	<u>615,285</u>

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 HALF-YEAR ENDED 31 JANUARY 2009**

**Note 1 Statement of Significant Accounting Policies**

**Basis of Preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 31 July 2008 and any public announcements made by Soda Brands Limited and its controlling entities during the interim-year in accordance with disclosure requirements arising under the Corporations Act 2001.

The financial statements covers the Consolidated Group of Soda Brands Limited and controlled entities. Soda Brands Limited is a listed public company, incorporated and domiciled in Australia.

The accounting policies and estimations have been consistently applied by the entities in the consolidated group and are consistent with those in the July 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**Basis of Preparation**

*Reporting Basis and Conventions*

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

**Accounting Policies**

**(a) Going Concern**

The financial report is prepared on a going concern basis which assumes that the Consolidated Group will be able to meet its obligations as they fall due and continue in operation without any intention to liquidate or otherwise wind up its operations. Major shareholders have provided short term loans of \$600,000 since the half year end. The directors believe that the upcoming rights issue and interim shareholder loans should provide sufficient capital for the company to continue as a going concern until positive cashflows are achieved from its trading operations.

**Note 2 Loss for the Year**

	Consolidated Group	
	Half Year Ended	Half Year Ended
	31 January 2009	31 January 2008
(a) Expenses	\$	\$
Cost of sales	1,591,148	576,049

**Note 3 Cash and Cash Equivalents**

	Consolidated Group	
	Half Year Ended	Half Year Ended
	31 January 2009	31 January 2008
Cash at bank and in hand	\$	\$
	-	120,024
	-	120,024
Reconciliation of cash		
Cash at the end of the financial half year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	-	120,024
Bank overdrafts (financial liabilities)	(27,822)	-
	(27,822)	120,024

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

**Note 4      Controlled Entities**

**(a)    Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Subsidiaries of Soda Brands Limited:			
SO Distributions Pty Ltd	Australia	100	100
Salon Only Pty Ltd	Australia	100	100
Soda Brands (NZ) Ltd	New Zealand	100	100
Soda Brands (UK) Ltd	United Kingdom	100	100
Kistani Pty Ltd	Australia	100	-

\* Percentage of voting power is in proportion to ownership

**Ultimate Parent Entity**

Soul Private Equity Limited	Australia	-	-
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**(b)    Acquisition of Controlled Entities**

The parent entity acquired the entire issued share capital of Kistani Pty Ltd on 9/09/2008.

**Note 5      Intangible Assets**

**Consolidated Group**

	Half Year Ended 31 January 2009	Half Year Ended 31 January 2008
	\$	\$
Carrying value of intangible assets		
Goodwill		
Cost	3,808,871	3,293,136
Accumulated impaired losses	(3,808,871)	-
	<u>-</u>	<u>3,293,136</u>

**Movement**

	Goodwill \$
Half Year ended 31 January 2009	
Balance as at 1 August 2008	3,293,136
Acquisitions during the half year	515,735
Impairment of goodwill on Salon Only brand	(3,808,871)
Balance as at 31 January 2009	<u>-</u>

In terms of its accounting policy in respect of goodwill, the company performs its impairment testing at 31 July with the most recent impairment testing being done as at 31 July 2008. However, as a result of the significant decline in gross margins and sales attributed to Salon Only brand, additional impairment testing has been carried out as at 31 January 2009.

The recoverable amount of the CGU's has been determined based on value-in use calculation which discount the estimated future cash flows expected to be generated from the respective CGU's.

In the case of all CGUs, the estimated cashflows for the first year of analysis are based on management's internal reforecast for the 2009 financial year. Such forecasts take into account the level of sales and gross margins and detailed expense estimates by expense type. The estimated year 1 cash flows have been projected for a further 4 years, taking account of management's expectations. A long term growth rate of 3.0 % ( 31 July 2009 : 5.0%) has been applied to determine the terminal value of the CGU's. A pre- tax discount rate of 12% ( 31 July 2008: 12%) has been applied to such future cash flows.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

**Note 6 Tax**

Deferred tax assets not brought to account, due to no reasonable assurance of profit in foreseeable future:-

- temporary differences \$44,271 (31 July 2008: \$24,428)
- tax losses: operating losses \$1,075,759 (31 July 2008: \$623,407)
- tax losses: capital losses \$1,142,661 (31 July 2008: \$nil)

**Note 7 Issued Capital**

	Consolidated Group	
	Half Year Ended	Half Year Ended 31
	31 January 2009	January 2008
	\$	\$
34,000,000 (2008: 34,000,000) fully paid ordinary shares	6,912,808	6,912,808
723,405 Shares issued for HairFx acquisition	36,170	-
8,591,282 Shares issued for Kistani Pty Ltd acquisition	429,564	-
2,777,778 Shares issued to Kistani Holdings Pty Ltd	500,000	-
	<u>7,878,542</u>	<u>6,912,808</u>

	Consolidated Group	
	Half Year Ended	Half Year Ended 31
	31 January 2009	January 2008
	No.	No.
(a) <b>Ordinary Shares</b>		
At the beginning of reporting period	34,000,000	34,000,000
Shares issued during the half-year		
— 09/09/2008 Hair FX @ 5 cents per share (acquisition of business)	723,405	-
— 09/09/2008 Kistani @ 5 cents per share (acquisition of shares)	8,591,282	-
— 09/09/2008 Capital raised from Kistani @ 18 cents per share (cash)	2,777,778	-
At reporting date	<u>46,092,465</u>	<u>34,000,000</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 half year and the options outstanding at year-end. Refer to Note 9: Share-based Payments.
- (ii) For information relating to share options issued to key management personnel during the financial half year. Refer to Note 9: Share-based Payments.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

**Note 8 Segment Reporting**

	Direct		In-direct		Total	
	Half Year Ended 31 January 2009 \$	Half Year Ended 31 January 2008 \$	Half Year Ended 31 January 2009 \$	Half Year Ended 31 January 2008 \$	Half Year Ended 31 January 2009 \$	Half Year Ended 31 January 2008 \$
<b>Primary Reporting — Business Segments</b>						
REVENUE						
External Sales	1,547,538	916,184	-	359,726	1,547,538	1,275,910
Other segments	-	-	1,237	20,027	1,237	20,027
Total sales revenue	1,547,538	916,184	1,237	379,753	1,548,775	1,295,937
Loss after income tax					(5,383,735)	(22,436)

**Secondary Reporting — Geographical Segments**

	Segment Revenues from External Customers		Carrying Amount of Segment Assets	
	Half Year Ended 31 January 2009 \$	Half Year Ended 31 January 2008 \$	Half Year Ended 31 January 2009 \$	Half Year Ended 31 January 2008 \$
Geographical location:				
Australia	1,515,304	1,243,170	210,964	4,932,582
New Zealand	33,471	52,767	143,166	137,562
	1,548,775	1,295,937	354,130	5,070,144

**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**

Primary Segment - The consolidated entity operates only in one industry being distribution of hair and beauty care products.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

**Note 9 Share Based payments- Options**

As the fair value of the options issued at the time of the issue or since has not exceeded the exercise price, no amount has been expensed to the income statement as per the Accounting Standard AASB 1046.

**Option issued**

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

	Consolidated Group				Expiry date
	Half-year ended 31 January 2009		Half-year ended 31 July 2008		
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	
Outstanding at the beginning of the half year granted to directors	1,750,000	25 cents	1,750,000	25 cents	31 July 2011
Granted to Kistani Holdings Ltd	11,831,673	20 cents	-		31 January 2010
Granted to associates of Kistani Holdings	1,250,000	25 cents	-		31 July 2012
Outstanding at half year-end	14,831,673	21 cents	1,750,000	25 cents	
Exercisable at half year-end	14,831,673	21 cents	1,750,000	25 cents	

**Options to be issued in future:**

-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 future date

-The Kistani shareholders who will be joined the senior management team of SODA will receive additional 'performance' shares based on achieving earnings targets per share after 31 July 2011 (2,880,000 shares) and 31 July 2012 (5,760,000 shares) financial years. These targets are 'EBITDA per share' of greater than 5.1 cents per share for the 2011 financial year and 'EBITDA per share' of greater than 5.7 cents per share for the 2012 financial year.

**Note 10 Events After the Balance Sheet Date**

The directors of the Consolidated Group have authorised the half-year financial report on 30 April 2009.

Nicholas Ghattas the Managing Director of the firm resigned on 9 February 2009.

To improve the company's economies of scale, directors have approved the acquisition of Incolabs, owner of the Innoxia branded skin care range. The acquisition is subject to successful due diligence enquiries.

Soda has entered a call option with the shareholders of Incolabs to acquire 100 per cent of the issued share capital for \$2.04 million – the value of the company's net assets. Before exercising the call option, directors are awaiting completion of the final stage of due diligence enquiries.

The Innoxia brand is 75 years old with a strong market position, enjoying excellent synergies with Soda's brands. If due diligence is successfully completed, the directors will announce a 1 for 1 rights issue at 7 cents per share to fund this acquisition. This would raise up to \$3.3 million.

The company's major shareholders, Souls Private Equity Limited (SPEL) and Maximize Equity Pty Limited (MEQ), have agreed to jointly underwrite the rights issue to the value of \$2.6 million. The issue will provide funding for the acquisition and facilitate the conversion of shareholder loans to equity.

**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 JANUARY 2009**

**Note 10      Contingent Liabilities**

There are no contingent liabilities.

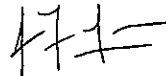
**SODA BRANDS LIMITED**  
**ABN: 91 081 149 635 AND CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 3 to 12:
  - (a) comply with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the financial position as at 31 January 2009 and of the performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



---

***FAIRFULL Andrew (Non-executive Chairman)***

Dated this      1st      day of      May      2009

**INDEPENDENT AUDIT REVIEW  
TO THE MEMBERS OF SODA BRANDS LIMITED**

**Report on the Half- year Financial Report**

We have reviewed the accompanying half-year financial report of SODA Brands Limited and Controlled Entities (the consolidated group) which comprises the balance sheet as at 31 January 2009, the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of SODA Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

*Independence*

In conducting our review, 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 and Controlled Entities, would be in the same terms if provided to the directors as at the date of this auditor's review report.

**Emphasis of Matter**

Without any qualification to the audit conclusion expressed below, attention is drawn to the following matter. As disclosed in Note 1(a) of the financial statements, the financial statements have been prepared on a going concern basis based on the continued financial support from its shareholders.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SODA Brands Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2009 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Name of Firm: Rothsay Chartered Accountants

Name of Partner: Mr Frank Vrachas

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

Dated this                      1st                      day of                      May                      2009