

SODA BRANDS LIMITED AND CONTROLLED ENTITIES

ABN: 91 081 149 635

**Financial Statements For The Half Year Ended
31 January 2010**

SODA BRANDS LIMITED AND CONTROLLED ENTITIES

ABN 91 081 149 635

31 January 2010

CONTENTS	Page
Directors' Report	1
Auditor's Independence Declaration	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Financial Statements	7 -11
Directors' Declaration	12
Auditor's Review Report	13-14

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

Your directors submit the financial statements of the consolidated group for the half-year ended 31 January 2010.

Directors

The names of directors who held office during or since the end of the half-year:

FAIRFULL Andrew (Non-exec Chairman)
KROK Maxim (Non-exec Director)
FAIRFULL David (Non-exec Chairman)
STEVEN Belart (CEO - Executive Director)
PHOTAKIS, Christopher (Non-exec Director) Retired on 14 August 2009.

Review of Operations

Soda Brands Limited (Soda) has reported a net loss after tax of \$0.5 million of the half year ended 31 January 2010. This result is an improvement of 91% over the previous corresponding period (2009: Loss of \$5.4 million).

On 1 November 2009, as previously announced, Soda completed the 100% acquisition of the Innoxia skin care brand. The acquisition and associated working capital was funded by a \$3.9 million rights issue which was also finalised during the first half of the 2010 financial year.

The improvement in the half year results is mainly due to the increase in sales and economies of scale associated with the Innoxia acquisition (accounted in Soda's books from 1 November 2009) and secondly the abnormal 'one-off' expense items (shown in the table below) that were incurred during the previous corresponding 2009 half year.

	Half Years	
	H1 FY 2009	H1 FY 2010
	\$ '000	\$ '000
Revenue	1,549	3,108
Gross Margin	408	1,209
GM %	26%	39%
Overhead Expenses	1,486	1,594
EBITDA	(1,078)	(385)
Depreciation and Amortisation	46	69
Interest Expense	-	86
Net Loss Before One-Offs	(1,124)	(640)

One-Off Events

Impairment of Stock	450	-
Impairment of Goodwill	3,809	-
Net Loss After Tax	(5,383)	(640)

The integration of the Innoxia business is nearing completion and the Directors are expecting the full benefits of the acquisition to flow through during next financial year (2011 financial year).

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial half-year:

On 10 December 2009, the company raised an additional \$3,862,673 (before costs and expenses) from the issuance of 193,133,617 non-renounceable rights issue under which each shareholder of SODA was entitled to subscribe for 5.2 new shares for every 1 share in SODA, at an issue price of \$0.02 per Offer Share.

Changes in controlled entities:

- (i) Acquired the entire share capital of Innoxia Group Pty Ltd (a company incorporated in Australia) on 31 October 2009.

Dividends Paid or Recommended

There were no dividends paid or proposed during the half-year.

After Balance Date Events

Subsequent to balance date, both SPEL and MEQ has contributed additional funds amounting to \$520,000 to meet the cash flow requirements of the group.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the half-year ended 31 January 2010 has been received and can be found on page 2 of the financial statements.



Director FAIRFULL Andrew (Non-exec Chairman)

Dated this 16th day of April 2010



**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 2010 there have been:

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

Name of Firm Rothsay Chartered Accountants

Name of Partner Frank Vrachas

Date 16/04/2010

Address Level 1, 12 O'Connell Street, Sydney NSW 2000



Chartered Accountants

Level 1, 12 O'Connell Street, Sydney NSW 2000
GPO Box 542, Sydney NSW 2001
Phone: (02) 8815 5400 Fax: (02) 8815 5401

ABN: 59 087 479 410



Liability Limited
by a scheme approved
under Professional
Standards Legislation

**SODA BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
HALF YEAR ENDED 31 JANUARY 2010**

		Consolidated Group	
	Note	Half year Ended 31 January 2010	Half year Ended 31 January 2009
		\$	\$
Revenue	2	3,108,292	1,548,775
Cost of goods sold	3	(1,899,693)	(1,591,148)
Employee benefits expense		(799,493)	(646,208)
Advertising and promotion		(393,909)	(190,470)
Listing and compliance expenses		(44,455)	(73,769)
Impairment of goodwill		-	(3,808,871)
Depreciation and amortisation expense		(68,605)	(45,913)
Other expenses		(356,410)	(575,761)
Finance costs	3	(85,825)	(370)
Loss before income tax		(540,099)	(5,383,735)
Income tax expense		-	-
Total comprehensive loss for the period		<u>(540,099)</u>	<u>(5,383,735)</u>

Earnings per share from continuing operations

From continuing operations:

Basic earnings per share (cents) - Loss	(0.57)	(12.39)
Diluted earnings per share (cents) - Loss	(0.57)	(9.71)

The accompanying notes form part of these financial statements.

SODA BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 JANUARY 2010

	Note	Consolidated Group As at 31 January 2010 \$	As at 31 July 2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		371,970	19,679
Trade and other receivables		1,730,644	286,955
Inventories		1,700,121	641,687
Other assets		159,354	62,496
TOTAL CURRENT ASSETS		<u>3,962,090</u>	<u>1,010,817</u>
NON-CURRENT ASSETS			
Property, plant and equipment		581,129	58,349
Intangible assets		1,549,502	-
TOTAL NON-CURRENT ASSETS		<u>2,130,631</u>	<u>58,349</u>
TOTAL ASSETS		<u>6,092,721</u>	<u>1,069,166</u>
CURRENT LIABILITIES			
Trade and other payables		2,794,210	883,072
Short-term provisions		193,996	14,678
TOTAL CURRENT LIABILITIES		<u>2,988,206</u>	<u>897,750</u>
NON-CURRENT LIABILITIES			
Borrowings		-	629,885
Long-term provisions		240,411	-
TOTAL NON-CURRENT LIABILITIES		<u>240,411</u>	<u>629,885</u>
TOTAL LIABILITIES		<u>3,228,616</u>	<u>1,527,635</u>
NET ASSETS		<u>2,864,105</u>	<u>(458,469)</u>
EQUITY			
Issued capital	6	11,747,678	7,885,006
Accumulated losses		(8,883,574)	(8,343,475)
TOTAL EQUITY		<u>2,864,105</u>	<u>(458,469)</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 2010

	Issued Capital Ordinary	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Consolidated Group				
Balance at 1 August 2008	6,912,808	(2,131,158)	(9,520)	4,772,130
Shares issued during the period	965,734	-	-	965,734
Total comprehensive loss for the period	-	(5,383,735)	-	(5,383,735)
Balance at 31 January 2009	<u>7,878,542</u>	<u>(7,514,893)</u>	<u>(9,520)</u>	<u>354,130</u>
Balance at 1 August 2009	7,885,005	(8,343,475)	-	(458,469)
Shares issued during the year	3,862,673	-	-	3,862,673
Total comprehensive loss for the period	-	(540,099)	-	(540,099)
Balance at 31 January 2010	<u>11,747,678</u>	<u>(8,883,574)</u>	<u>-</u>	<u>2,864,105</u>

The accompanying notes form part of these financial statements.

SODA BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR
ENDED 31 JANUARY 2010

	Consolidated Group	
	Half year	Half year
Note	Ended	Ended
	31 January	31 January
	2010	2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,865,298	1,857,150
Interest received	1,108	1,237
Payments to suppliers and employees	(4,520,191)	(2,455,863)
Finance costs	(85,825)	(370)
Net cash (used in) operating activities	<u>(739,610)</u>	<u>(597,846)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(591,385)	-
Purchase of available-for-sale investments	-	(50,000)
Goodwill on acquisition of controlled entities	(1,549,502)	-
Net cash (used in) investing activities	<u>(2,140,887)</u>	<u>(50,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,862,673	500,000
Repayment of borrowings	(629,885)	-
Net cash provided by financing activities	<u>3,232,788</u>	<u>500,000</u>
Net increase in cash held	352,291	(147,846)
Cash and cash equivalents at beginning of period	19,679	120,024
Cash and cash equivalents at end of period	<u>371,970</u>	<u>(27,822)</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 2010

Note 1 Statement of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 January 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of Soda Brands Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 31 July 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards:

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial statements have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

These financial statements have 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.

Going Concern Basis

During the half-year ended 31 January 2010, the Group incurred a negative operating cashflow of \$739,610. As at 31 January 2010, the Group has a net current asset surplus of \$973,884.

However, as a result of the consolidation of Innoxia Group's results into Soda Brands, the current ratio of the Group has improved from 1.13 (as at 31st July 2009) to 1.33 (as at 31 January 2010). Net asset position of the Group has also improved from (\$458,469) as at 31st July 2009 to \$2,864,105 as at 31 January 2010. Furthermore, additional funds have been provided by the two major shareholders subsequent to balance date amounting to \$520,000.

The Group has however, still operated a net cash outflow from operating activities for the period ending 31 January 2010. As of 22 February 2010, the Directors have planned a number of initiatives to improve the liquidity and the operating result of the entity, mainly the following:

- Arranging debtor financing and other bank facility with St George Bank, NAB, Bendigo Bank or CBA (in progress);
- The development of a draft investment plan. The plan will include a complete financial analysis for the next 3 years (in progress); and
- An 'across the Board' cost-cutting program.

The directors believe that the successful negotiation of bank facilities and additional funds from the major shareholders should provide sufficient capital for the company to continue as a going concern until positive cash flows are achieved from its trading operations. The Group does not intend to liquidate or otherwise wind up its operations in the next twelve months.

Therefore, the financial statements have been prepared on the basis of going concern.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2010

Note 2 Revenue and Other Income

	Consolidated Group Half Year Ended 31 January 2010 \$	Half Year Ended 31 January 2009 \$
Sales Revenue		
— sale of goods	3,087,369	1,547,538
Total Sales Revenue	<u>3,087,369</u>	<u>1,547,538</u>
Other Revenue		
— interest received	1,108	1,237
— other revenue	19,816	-
Total Other Revenue	<u>20,923</u>	<u>1,237</u>
Total Sales Revenue and Other Revenue	<u><u>3,108,292</u></u>	<u><u>1,548,775</u></u>
(a) Interest revenue from:		
— other persons	1,108	1,237
Total interest revenue	<u><u>1,108</u></u>	<u><u>1,237</u></u>

Note 3 Cost of Goods Sold and Finance Costs

	Consolidated Group Half Year Ended 31 January 2010 \$	Half Year Ended 31 January 2009 \$
(a) Expenses		
Cost of goods sold	1,899,693	1,591,148
Finance costs		
— Associated companies	82,077	-
— Other persons	3,748	370
Total finance costs	<u><u>85,825</u></u>	<u><u>370</u></u>

Note 4 Business Combinations

Soda Brands Limited acquired 100% of the issued share capital of Innoxia Group Pty Ltd on 31 October 2009, a manufacturer and distributor of skin care and cosmetic products. Details of the acquisition are as follows:

	Consolidated Group 31 January 2010 \$
Consideration paid	
The purchase consideration consisted of:	
- Cash	-
- Equity (570,000) Ordinary shares issued at \$1	<u>1</u>
Total purchase consideration	<u><u>1</u></u>
The fair value of ordinary shares issued to the vendors was determined as the quoted bid price at the date of acquisition.	
Net Liabilities Acquired	
Fair values of assets and liabilities acquired at acquisition date:	
— Cash	788,389
— Trade receivables	1,982,967
— Inventories	1,438,487
— Property, plant and equipment	572,233
— Other asset	130,477
— Payables	(3,384,829)
— Provisions	(488,988)
— Borrowings	(2,600,000)
— Additional share capital	11,763
Total Net Liabilities Acquired	<u><u>(1,549,501)</u></u>
Goodwill on consolidation	<u><u>1,549,502</u></u>
Trade receivables acquired consist of:	
Contractual amounts receivable	1,982,967
Allowance for non-receivable contractual cash-flows	-
Net expected contractual cash flows receivable	<u>1,982,967</u>
Fair value of trade receivables	<u><u>- 1,982,967</u></u>
Discount on acquisition	<u><u>-</u></u>

Operating loss and sales revenues resulting from the acquisition of Innoxia Group Pty Ltd amounting to (\$351,164) and \$2,294,709 respectively are included in the consolidated statement of comprehensive income for the half-year ended 31 January 2010.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2010

Note 5 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
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	100
Innoxia Group Pty Ltd	Australia	100	-
Innoxia Holdings Pty Ltd	Australia	100	-
Innoxia Marks Pty Ltd	Australia	100	-
Incolabs Pty Ltd	Australia	100	-

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

The parent entity acquired the entire issued share capital of Innoxia Group Pty Ltd on 31 October 2009.

Note 6 Issued Capital

	Consolidated Group	
	As at 31 January 2010	As at 31 July 2009
	\$	\$
239,859,825 (2009: 46,156,208) fully paid ordinary shares	11,747,678	7,885,006
	<u>11,747,678</u>	<u>7,885,006</u>

(a) Ordinary Shares

	Consolidated Group	
	As at 31 January 2010	As at 31 July 2009
	No.	No.
At the beginning of reporting period	46,156,208	46,156,208
Shares issued during year		
— 31/10/2009	570,000	-
— 16/12/2009	193,133,617	-
At reporting date	<u>239,859,825</u>	<u>46,156,208</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(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 half-year-end. Refer to Note 9: Share-based Payments.

Note 7 Contingent Liabilities and Contingent Assets

At balance date, the consolidated group had no contingent liabilities or contingent assets.

Note 8 Segment Reporting

Segment Information

Identification of reportable segments

The consolidated group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated group is managed primarily on the basis of product category since the diversification of the consolidated group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold by the segment; and
- the distribution method.

Types of products by segment

(i) Distribution

The distribution segment distributes the consolidated group's stock items both domestically and internationally. Distribution division provides a range of services throughout Australia and New Zealand.

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2010

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation of the consolidated group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the consolidated group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the consolidated group as a whole and are not allocated. Segment liabilities include trade and other payables and provisions.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- deferred tax assets and liabilities;
- intangible assets; and

(i) Segment performance

	Distribution	
	Half Year Ended 31 January 2010 \$	Half Year Ended 31 January 2009 \$
Primary Reporting — Business Segments		
REVENUE		
External Sales	3,087,369	1,547,538
Interest revenue	1,108	1,237
Other revenue	19,816	-
Total segment revenue	<u>3,108,293</u>	<u>1,548,775</u>
 Segment net (loss) before tax		
<i>Reconciliation of segment result to the consolidated group net (loss) before tax</i>	<u>(385,669)</u>	<u>(5,337,452)</u>
Amounts not included in segment result but reviewed by the Board		
• depreciation and amortisation	(68,605)	(45,913)
Unallocated item:		
• finance costs	(85,825)	(370)
Net loss before tax from continuing operations	<u>(540,099)</u>	<u>(5,383,735)</u>
	As at 31 January 2010 \$	As at 31 July 2009 \$
ASSETS		
Segment assets	4,543,219	1,069,166
Total assets	<u>4,543,219</u>	<u>1,069,166</u>
 <i>Reconciliation of segment assets to the consolidated group assets</i>		
Unallocated asset:		
• Intangibles	1,549,502	-
Total consolidated group assets from continuing operations	<u>6,092,721</u>	<u>1,069,166</u>

SODA BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2010

LIABILITIES

Segment liabilities	3,228,616	897,750
Total liabilities	<u>3,228,616</u>	<u>897,750</u>

Reconciliation of segment liabilities to the consolidated group liabilities

Unallocated liability:

• Borrowings	-	629,885
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Total consolidated group liabilities from continuing operations

<u>3,228,616</u>	<u>1,527,635</u>
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Secondary Reporting — Geographical Segments

	Revenue by Geographical Region		Carrying Amount of Assets by Geographical Region	
	Half Year Ended 31 January 2010	Half Year Ended 31 January 2009	As at 31 January 2010	As at 31 July 2009
	\$	\$	\$	\$
Geographical location:				
Australia	3,105,618	1,515,304	4,561,125	1,200,621
New Zealand	2,675	33,471	(17,906)	(131,457)
United Kingdom	-	-	2	2
	<u>3,108,293</u>	<u>1,548,775</u>	<u>4,543,221</u>	<u>1,069,166</u>

Geographical segments

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

Note 9 Share-based Payments

- (i) On 1 December 2006, 1,750,000 share options were granted to directors to take up ordinary shares at an exercisable price of 25 cents each. The options are exercisable on or before 31 July 2011. The options hold no voting or dividend rights and are not transferable. In addition, the company had also granted 500,000 share options to S Dimitriadis (ex-director) on 9 September 2008 and 650,000 share options to associates of Kistani Holdings Ltd following the acquisition of Kistani Pty Ltd, all being exercisable on or before 31 July 2012.
- (ii) On 21 January 2010, the directors have resolved to cancel 2,000,000 share options previously issued to the ex-directors.

	Consolidated Group Number	Weighted average exercise price
Outstanding as at 31 July 2009	2,900,000	25c
Granted	-	-
Cancelled	(2,000,000)	25c
Exercised	-	-
Expired	-	-
Outstanding as at 31 January 2010	900,000	25c
Options exercisable as at 31 January 2010:	900,000	25c

Note 10 Events After the Balance Sheet Date

Subsequent to balance date, both Souls Private Equity Limited and Maximize Equity Pty Limited, being major shareholders, have contributed additional funds amounting to \$520,000 to meet the cash flow requirements of the Group.

Note 11 Company Details

The registered office of the company is:

Soda Brands Limited
 Building 1, Suite 3
 106 Old Pittwater Road
 Brookvale, NSW 2100

The principal place of business is:

Soda Brands Limited
 Building 1, Suite 3
 106 Old Pittwater Road
 Brookvale, NSW 2100

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 11, are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards AASB 134 Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 January 2010 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-exec Chairman)

Dated this 16th day of April 2010



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

Report on the Half-Year Financial Statements

We have reviewed the accompanying half-year financial statements of Soda Brands Limited and controlled entities (the consolidated group), which comprise the consolidated statement of financial position as at 31 January 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Statements

The directors of the consolidated group are responsible for the preparation and fair presentation of the half-year financial statements 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 statements that are 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 statements 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 statements are not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated group's financial position as at 31 January 2010 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 annual financial statements.

A review of half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.



Chartered Accountants

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Standards Legislation

Matters Relating to the Electronic Presentation of the Reviewed Financial Statements

This review report relates to the financial statements of the consolidated group for the half-year ended 31 January 2010 included on the website of Soda Brands Ltd. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial statements identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial statements to confirm the information included in the reviewed financial statements presented on the company's website.

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, provided to the directors of Soda Brands Limited and controlled entities on 16 April 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

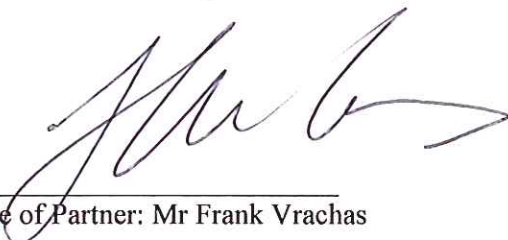
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial statements of Soda Brands Limited and controlled entities are not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated group's financial position as at 31 January 2010 and of its performance for the half-year ended on that date; and
- b) complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without any qualification to the review conclusion expressed above, attention is drawn to the following matter. As disclosed in Note 1 of the financial statements, the financial statements have been prepared on a going concern basis based on the successful negotiation of bank facility and continued support from its shareholders.

Name of Firm: Rothsay Chartered Accountants



Name of Partner: Mr Frank Vrachas

Address: Level 1, 12 O'Connell Street, Sydney NSW 2000

Dated this 16th day of April 2010