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7 July 2010

The Manager,  
Company Announcements  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir,

RE: SODA BRANDS LIMITED – NATIONAL STOCK EXCHANGE ANNOUNCEMENT

Soda Brands Limited, 47% associate of Souls Private Equity Limited announced on 6 July 2010 it proposes to acquire the entire share capital of Creative Brands Pty Limited by the issue of new shares in Soda Brands Limited.

If the transaction is approved by shareholders at the upcoming General Meeting of Soda Brands Limited the shareholding of Souls Private Equity Limited in Soda Brands Limited following the acquisition is expected to be 25.1%.

The Notice of General Meeting for Soda Brands Limited incorporating Explanatory Notes is attached.

Yours faithfully

A handwritten signature in black ink, appearing to read "A. Fairfull", written over a horizontal line.

Andrew Fairfull  
General Manager  
Souls Private Equity Limited

# **SODA**

BRANDS LIMITED

## **SODA BRANDS LIMITED**

ACN 081 149 635

## **Notice of General Meeting**

incorporating Explanatory Notes and Proxy Form

to be held on

**Friday 6 Friday August 2010 at 10:00am**

at

**Level 57 MLC Centre 19-29 Martin Place Sydney NSW**

This is an important document and should be read in its entirety.

If you are in doubt as to the course you should follow,  
consult your financial or other professional adviser.



6 July 2010

To Shareholders

## **NOTICE OF GENERAL MEETING**

Dear Shareholder

### **INTRODUCTION**

I am writing to you with details of the general meeting which we propose to hold on 6 August 2010 at 10h00 (EGM). The formal notice of meeting is attached to this document.

The business to be proposed and considered at this EGM is summarised below.

### **ACQUISITION OF CREATIVE BRANDS PTY LTD**

It is proposed that the Company acquires the entire issued share capital of Creative Brands Pty Ltd (CB) (the **Proposed Transaction**).

CB distributes a broad range of beauty and cosmetic products throughout Australia, many of which are household names, which makes it an ideal fit for the Company. If the transaction is approved, the merged entity will have exposure across the broad spectrum of the Health, Beauty and Wellbeing industry. The merger will achieve the necessary critical mass to place the Company in an ideal position to increase its market share in these areas.

### **INCREASE IN SHARE CAPITAL**

The Company is funding the entire purchase price by the issue of new shares. The consequence of this is that the Company will have twice the number of shares in issue. This diluting effect will be more than offset by the trading advantages, increase in revenues and cost rationalisation benefits.

### **CHANGE OF NAME**

In keeping with the changed nature of its enlarged business, the Company intends to change its name to one that more appropriately describe its brands and product lines. The proposed new name is *Heritage Brands Limited*.

## **ELECTION OF NEW DIRECTORS**

To reflect the new management of the business to be conducted by the Company, it is proposed that the vendors of CB be appointed as directors of the Company.

## **GENERAL MEETING**

In order to give effect to the matters described above, the resolutions set out in the attached notice must be approved by shareholders in general meeting. A meeting for this purpose has been convened on 6 August 2010.

## **ACTION TO BE TAKEN**

A form of proxy is enclosed for use by shareholders at the EGM. If you are a shareholder, you are requested to complete and return the form of proxy (even if you intend to be present at the EGM) and return it to Registries Limited at PO Box R67 Royal Exchange NSW 1223 or by hand delivery to Registries Limited, Level 2, 28 Margaret Street Sydney NSW 2000 or by fax to + 61 2 9279 0664 on or before 10h00 on 4 August 2010. The completion and return of the form of proxy will NOT prevent you from attending, speaking and voting at the EGM.

## **RECOMMENDATION**

The directors consider that the proposed resolutions are in the best interests of the Company and its shareholders. Accordingly, the directors unanimously recommend that you vote in favour of the resolutions proposed at the EGM as they intend to do or procure to be done in respect of their own and related party's beneficial holdings in the Company.

Full details of the Proposed Transaction are set out in this Explanatory Memorandum. If you would like to enquire about any aspect of the Proposed Transaction please call me on (02) 9210 7000, or seek advice from your investment adviser or other professional adviser.

I look forward to meeting you personally at the upcoming Extraordinary General Meeting to be held at Level 57 MLC Centre, 19-29 Martin Place Sydney at 10:00am on Friday 6 August 2010.

Yours faithfully



Andrew Fairfull  
CHAIRMAN

**SODA BRANDS LIMITED**

**ACN 081 149 635**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is given that the Extraordinary General Meeting of Shareholders of Soda Brands Limited (**SODA or Company**) will be held at:

**Level 57 MLC Centre  
19-29 Martin Place  
Sydney NSW 2000**

**commencing at 10:00 am on Friday 6 August 2010**

**AGENDA**

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as both general business and special business.

**BUSINESS OF THE MEETING**

**How to Vote**

You may vote by attending the meeting in person, by proxy or authorised representative.

**Voting in Person**

To vote in person you must attend the meeting on the date and place set out above. The meeting will commence at 10:00 am.

**Voting by Proxy**

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Extraordinary General Meeting, so that it is received no later than 10:00 am on 4 August 2010. Proxy forms received later than this time will be invalid

**Hand deliveries:**

Registries Limited  
Level 2, 28 Margaret Street Sydney NSW 2000

**Postal Address:**

Registries Limited, PO Box R67, Royal Exchange, NSW, 1223.

Alternatively you can fax your proxy form so that it is received no later than 10:00 am on 4 August 2010 on the fax number listed below.

**Fax Number:** + 61 2 9279 0664

**Your Proxy Form is enclosed**

This is an important document. Please read it carefully. If you are unable to attend the Extraordinary General Meeting please complete the enclosed Proxy Form and return it in accordance with the instructions set out on that form.

**RESOLUTIONS****Resolution 1 - Acquisition of Creative Brands Pty Limited**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, approval is given for the purchase by the Company of all of the issued shares in Creative Brands Pty Limited (the **CB Shares**) in consideration for the issue by the Company of 217,762,810 new ordinary shares in the Company (**Shares**) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any party to the transaction, any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 2 – Issue of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of NSX Listing Rules 6.25 and 6.41, and for all other purposes, approval is given for the Directors to issue 217,762,810 Shares in consideration for the CB Shares on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Resolution 3 – Change of Name of Company**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to the passing of Resolutions Numbers 1 and 2 and completion of the acquisition of Creative Brands Pty Limited, pursuant to and for the purposes of Section 157(1) of the Corporations Act and for all other purposes the name of the Company be changed to "Heritage Brands Limited".*

**Resolution 4 – Election of Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions Numbers 1 and 2 and completion of the acquisition of Creative Brands Pty Limited occurring, pursuant to Section 201E of the Corporations Act and for all other purposes, WILLIAM MCCARTNEY be and is hereby appointed as a director of the Company.”*

**Resolution 5– Election of Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions Numbers 1 and 2 and completion of the acquisition of Creative Brands Pty Limited occurring, pursuant to Section 201E of the Corporations Act and for all other purposes, STEPHEN LESLIE MASON be and is hereby appointed as a director of the Company.”*

**Resolution 6 – Election of Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions Numbers 1 and 2 and completion of the acquisition of Creative Brands Pty Limited occurring, pursuant to Section 201E of the Corporations Act and for all other purposes, STEPHEN DONALD ALFRED GOODEY be and is hereby appointed as a director of the Company.”*

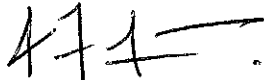
**Resolution 7 – Election of Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions Numbers 1 and 2 and completion of the acquisition of Creative Brands Pty Limited occurring, pursuant to Section 201E of the Corporations Act and for all other purposes PETER HENRY TOWNSEND COX be and is hereby appointed as a director of the Company.”*

**DATED 6 July 2010**

**BY ORDER OF THE BOARD**



**Andrew Fairfull**

**CHAIRMAN**

**SODA BRANDS LIMITED**

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am on Friday 6 August 2010 at Level 57 MLC Centre 19-29 Martin Place Sydney NSW.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting. The major shareholders of Soda, namely Souls Private Equity Limited (**SPEL**) and Maximize Equity Pty Ltd (**MEPL**) have each indicated its intention to vote in favour of the Proposed Transaction for all interests under its control.

## GENERAL

### Background

#### 1 The Acquisition

The Company has entered into a share sale agreement (**Share Sale Agreement**) with the shareholders (**Vendors**) of Creative Brands Pty Ltd (**CB**), pursuant to which the Company will acquire all of the issued ordinary shares in CB (the **Sale Shares**) for the issue to the Vendors of 217,762,810 new shares in the Company (**Consideration Shares**).

A summary of the material terms of the Share Sale Agreement is as follows:

- 1.1 the Share Sale Agreement is subject to the following conditions:
- (a) (**Approvals**): the Company obtains all approvals required by its constitution, the NSX Listing Rules, the Corporations Act and any other applicable law or regulation for the purchase of the Sale Shares and the issue of the Consideration Shares;
  - (b) (**Shareholder Approval**): the Company obtains the approval of its shareholders for the purchase of the Sale Shares and the issue of the Consideration Shares at an extraordinary general meeting called for that purpose;
  - (c) (**Board Approval**): the approval of the board of directors of the Company is obtained for the purchase of the Sale Shares and the issue of the Consideration Shares at an extraordinary board meeting called for that purpose;
  - (d) (**Charges**): each of, Rawlo International Pty Ltd, Stephen Mason and Cheryl Mason agree to the release of the charges registered by CB in their favour;
  - (e) (**Consultancy Agreement**): Brands RMJ Pty Ltd agrees in writing to the termination of its consultancy agreement with the Company with effect from the Completion Date;



- (f) **(Business Plan)**: the Sellers and the Company agree a business plan for at least financial year 2011 incorporating a budget, cash flow forecast, management structure and recruitment plan for the combined business entities of Company and the Company, effective from Completion.
- (g) **(Employment)**: the Company concludes an employment agreement with Goodey to act as managing director of the Company substantially on the terms set out in the specimen agreement attached as **schedule 7**; and
- (h) **(assignment)**: the Sellers procure the written assignment to Company of the Licence and Distribution Agreements or to the extent necessary, the written consent by each counterparty to the change in control of the Company.
- (i) **(right of first refusal)**: the Sellers procure that Brands RMJ Pty Ltd (**RMJ**) and Oswin Laboratories Pty Ltd (**Oswin**) grant to the Company a first right of refusal in writing on any business, brands or products which either of them propose to buy or sell after Completion;
- (j) **(undertaking)**: the written undertaking of the Consortium that after Completion, their appointees to the Board do not veto the purchase (or other transaction) by the Company (or its Related Body Corporate) of any product, business name or brand which competes with either RMJ or Oswin.
- (j) **(non compete)**: the written undertaking of O'Neill that after Completion, he will not and will procure that his related parties do not compete with the Company otherwise than in respect of the businesses which they conduct as at the date of Completion.
- (k) **(change of control)**: the approval is obtained of the counterparty to any contract to which the Company is a party to the change in control of the Company including the written consent of Scottish Pacific Business Finance Pty Ltd.

(together, the **Share Sale Conditions**).

If a Share Sale Condition is not satisfied (or waived, to the extent that any Share Sale Condition is capable of waiver) by 31 October 2010 or such other date as may be agreed by the parties in writing, the Company may terminate the Share Sale Agreement by written notice.

- 1.2 **Consideration**: In consideration of the CB Shares, the Company will issue 217,762,810 Shares to the Vendors at 2 cents each. In terms of NSX listing rules 4.5, 6.28 and 6.29, the Shares will be compulsorily escrowed for 6 months from the date of issue.
- 1.3 **Completion**: Completion of the Share Sale Agreement is to occur on that date which is 2 business days after the satisfaction or waiver of the last of the Share Sale Conditions.

#### 1.4 Terms:

- (a) Rawlo International Pty Ltd and S Mason (the **Warrantors**) have jointly and severally provided standard warranties and representations in relation to CB. In the event of a breach of a warranty, the Warrantors, at their election, may compensate the Company either in money or by offering for cancellation Shares equal to the amount of the the Company's Claim.
- (b) The Company has similarly provided standard warranties and representations in relation to the Company.
- (c) At its election, the Company may compensate the CB Shareholders for a breach of a warranty either by the issue to the CB Shareholders in proportion to their shareholding of that number of additional Shares as is equal to the damages arising out of the breach of the warranty or in monetary terms.
- (d) The Share Sale Agreement otherwise contains clauses typical for an agreement of this nature.
- (e) Steven Goodey will be appointed as CEO of the Company and will sign an employment contract agreeing to be employed by the Company for at least 3 years. The Company acknowledges that Mr Goodey is currently providing services to 2 other companies conducting similar but not competitive businesses and Mr Goodey will be permitted to continue to provide such services so long as by so doing he is able to properly discharge his duties to the Company.

## 2 History of the Company since the Kistani Acquisition

### 2.1 Historical Earnings Performance

Below is a summary of Soda's expected (unaudited) and historical audited sales and gross margin performance for each of the twelve months ended 31 July 2008, 31 July 2009 and 31 July 2010 (unaudited)

|                                  | twelve months ended 31 July 2008 | twelve months ended 31 July 2009 | twelve months ending 31 July 2010 |
|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| <b>Sales</b>                     | \$2,622,000                      | \$2,364,000                      | \$10,442,000                      |
| <b>Gross Margin Contribution</b> | \$1,531,000                      | \$799,000                        | \$6,058,000                       |
| <b>Gross Margin Percentage</b>   | 58%                              | 34%                              | 58%                               |

**The improvements in Sales and Gross profit above are the results of the Innoxia acquisition**

### 2.3 Issued Share Capital

- (a) On 8 September 2008, the Company's total issued share capital was \$7,885 million represented by 34,000,000 fully paid ordinary shares held by 260 shareholders. As a result of the Kristani acquisition on 9 September 2008 an additional 12,092,465 shares were issued at 18 cents per share, resulting in 46,092,465 Shares being in issue.
- (b) On the 30th July 2009 63,743 shares were issued under the Salon Share Incentive scheme
- (c) On 31<sup>st</sup> October 2009 a put and call option for the acquisition of the Innox Group was finalised and 570,000 shares were issued at 25c per share. A rights issue on 16<sup>th</sup> December resulted in certain shareholder loans being capitalised which resulted in the issue of a further 193,133,617 shares. This increased the issued Share Capital to 239,859,825 Shares
- (d) On completion of the Share Sale Conditions, a further 217,762,810 shares will be issued at 2 cents per Share to the Vendors resulting in there being 457,622,635 Shares in issue.
- (e) After the issue of the shares under paragraph (d), the market capitalisation of the Company will be \$16,102,934

### 3 Overview of CB

CB's business spans over 30 years in the beauty industry in Australia. During this time, it has created or acquired the right to distribute market leading brands including "Australis", Mode Cosmetics, Nailene Fingers and Revlon Nails. This balanced portfolio enables CB to cater for a broad range of consumers. CB has strong and experienced management who are well respected in the industry. Following the merger, they will lead the combined entity from CB's Melbourne offices.

### 4 Rationale for Acquisition

The Company and CB have many complimentary brands. The similarity in the businesses will enable the Company to acquire additional revenue without a corresponding increase in costs as the existing infrastructure of CB is able to assume and accommodate the infrastructure of the Company. Furthermore, the increased critical mass should enable the Company to increase its market share and target further acquisitions in the industry.

Post the acquisition, the combined businesses will boost sales and gross margin contribution by 140% and 141% respectively when compared to the expected results for the Company for the current financial year (on a 'pre-acquisition' basis). The table below summarises the expected increase in sales and gross margin contribution without including the operating efficiencies and sales growth initiatives that the expanded management team have planned.

|              | twelve months<br>ending 31 July 2010 –<br><i>pre-acquisition</i> | twelve months<br>ending 31 July 2010<br><i>post acquisition</i> |
|--------------|------------------------------------------------------------------|-----------------------------------------------------------------|
| <b>Sales</b> | \$10,442,000                                                     | \$25,031,000                                                    |

|                                  |             |              |
|----------------------------------|-------------|--------------|
|                                  |             |              |
| <b>Gross Margin Contribution</b> | \$6,058,000 | \$14,630,000 |
| <b>Gross Margin Percentage</b>   | 58%         | 58%          |

## 5 Impact of the Acquisition on Capital Structure

The effect of the Acquisition and issue of the Shares (on an undiluted basis) on the capital structure of the Company will be:

| <b>Shares on issue as at the date of this Notice</b> | <b>Shares to be issued to CB Shareholders (Resolution 2)</b> | <b>Total Shares in issue after the Acquisition</b> |
|------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------|
| 239,859,825                                          | 217,762,810                                                  | <b>457,622,635</b>                                 |

## 6 Impact of the Acquisition on the Company

Settlement of the Share Sale Agreement will result in the Company owning 100% of CB and its business. The proposed Acquisition will result in the creation of a group comprising well known and established brands in the Health, Beauty and Well Being industries. This should have the effect of significantly expanding the Company's market reach.

### (a) Advantages of the Acquisition

The Directors consider the key advantages of the Acquisition to be:

- (i) enabling the Company to achieve critical mass;
- (ii) obtaining experienced and strong management;
- (iii) achieving rationalisation of costs which should result in additional revenues flowing directly to the bottom line and creating a sustainable, profitable business

### (b) Disadvantages of Transactions

The Directors consider the key disadvantages of the Acquisition to be:

- (i) there will be a significant dilution of interest of Shareholders— this should be offset by increased revenues and reduced relative costs.
- (ii) There will be short term non-recurring redundancy and relocation costs which should be offset by the long term benefits of increased revenues and reduced ongoing costs.

**(c) Major Shareholders**

Following completion of the Acquisition, shareholders comprising more than 1% of the total number of Shares will be:

| SHAREHOLDER                   | NUMBER OF SHARES | PERCENTAGE |
|-------------------------------|------------------|------------|
| SPEL                          | 114,962,106      | 25.1       |
| MEPL/Kistani Holdings Pty Ltd | 102,800,704      | 22.5       |
| Rawlo International Pty Ltd   | 80,564,587       | 17.6       |
| S.Mason                       | 63,910,640       | 14.0       |
| PTJ Holdings                  | 18,299,396       | 4.0        |
| S.Goody Pty Ltd               | 18,299,396       | 4.0        |
| JKL Developments Pty Ltd      | 18,299,396       | 4.0        |
| Steven O'Neill                | 18,299,396       | 4.0        |

In addition:

- SPEL and MEPL will collectively have a loan account against the Company in the amount of \$770k ; and
- Rawlo will have a loan account against the Company in the amount of \$1m.

**(d) Impact of the Acquisition on Earnings and Nett Asset Value**

The financial effect of the Acquisition before realising any synergies or economies of scale will be:

**Unaudited results to 31 May 2010**

|                      | 10 Months<br>SODA | 11 Months<br>CB | Combined<br>Total | % Increase |
|----------------------|-------------------|-----------------|-------------------|------------|
| <b>Sales</b>         | 9,080,000         | 12,988,000      | 22,068,000        | 43%        |
| <b>NPAT</b>          | (1,112,000)       | 413,400         | (698,600)         |            |
| <b>EPS</b>           | (0.005)           |                 | (0.002)           | 67%        |
| <b>NAV</b>           | 1,423             | 6,072           | 7,495             |            |
| <b>NAV per Share</b> | 0.01              |                 | 0.02              | 176%       |

## PROXY FORM

### APPOINTMENT OF PROXY

**SODA BRANDS LIMITED**  
ACN 081 149 635

### EXTRAORDINARY GENERAL MEETING

I/We \_\_\_\_\_

being a member of Soda Brands Limited entitled to attend and vote at the meeting, hereby

Appoint \_\_\_\_\_

Name of proxy

Or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Extraordinary General Meeting to be held at Level 57 MLC Centre, 19-29 Martin Place Sydney NSW at 10:00 am on 6 August 2010 and any lawful adjournment thereof:

| <b>Voting on Business of the General Meeting</b> |                                        | For                      | Against                  | Abstain                  |
|--------------------------------------------------|----------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1                                     | Acquisition of Creative Brands Pty Ltd | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2                                     | Approval of Share Issue                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3                                     | Change of name of Company              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4                                     | Appointment of Director                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5                                     | Appointment of Director                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6                                     | Appointment of Director                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7                                     | Appointment of Director                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Or if you do **not** wish to direct your proxy how to vote, place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chairman of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your

