

# Financial Statements and Notes to Accounts

For year ended 30 June 2009

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**Auditors' Report**

To the shareholders of Charlie's Group Limited

We have audited the financial statements on pages 17 to 52. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 22 to 29.

**Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

**Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax providers and the provision of other assurance related services.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 17 to 52:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards ; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 August 2009 and our unqualified opinion is expressed as at that date.

*PricewaterhouseCoopers*

Chartered Accountants

Auckland

**INCOME STATEMENT**

For the year ended 30 June 2009

|   |       | Group                      |                            | Parent                     |                            |
|---|-------|----------------------------|----------------------------|----------------------------|----------------------------|
|   |       | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
| Notes   | \$000 | \$000                      | \$000                      | \$000                      | \$000                      |
| Sales revenue   | 4     | 31,261                     | 30,046                     | -                          | -                          |
| Cost of goods sold  | 5/6   | (16,867)                   | (15,969)                   | -                          | -                          |
| <b>Gross profit</b>   |       | <b>14,394</b>              | <b>14,077</b>              | -                          | -                          |
| Selling and distribution expenses                                   | 5/6   | (11,193)                   | (9,258)                    | -                          | -                          |
| Marketing expenses  | 5/6   | (1,454)                    | (2,699)                    | -                          | -                          |
| Administration and other expenses                                   | 5/6   | (3,710)                    | (2,484)                    | (406)                      | (443)                      |
| <b>Operating loss</b>   |       | <b>(1,963)</b>             | <b>(364)</b>               | <b>(406)</b>               | <b>(443)</b>               |
| Finance income  |       | 7                          | 4                          | -                          | -                          |
| Finance expenses  |       | (641)                      | (219)                      | (46)                       | (38)                       |
| <b>Net loss before income tax</b>                                   |       | <b>(2,597)</b>             | <b>(579)</b>               | <b>(452)</b>               | <b>(481)</b>               |
| Income tax credit   | 7     | 782                        | 154                        | 94                         | -                          |
| <b>Net loss after tax for the year attributable to shareholders</b> |       | <b>(1,815)</b>             | <b>(425)</b>               | <b>(358)</b>               | <b>(481)</b>               |
| Earnings per share for profit attributable to shareholders          |       |                            |                            |                            |                            |
| <b>- Basic Earnings per share (cents)</b>                           | 8     | <b>(0.63)</b>              | (0.15)                     | <b>(0.11)</b>              | (0.17)                     |
| <b>EBITDA</b>   |       | <b>(926)</b>               | 283                        | <b>(406)</b>               | (443)                      |

*The above income statements should be read in conjunction with the accompanying notes.*

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2009

| Group   | Notes | Share capital | Cash flow hedge reserve | Share options reserve | Retained earnings | Total equity |
|---|-------|---------------|-------------------------|-----------------------|-------------------|--------------|
|   |       | \$000         | \$000                   | \$000                 | \$000             | \$000        |
| <b>Balance at 1 July 2007</b>                     |       | 15,280        | -                       | 385                   | (478)             | 15,187       |
| Net loss attributable to shareholders             |       | -             | -                       | -                     | (425)             | (425)        |
| Movement in cash flow hedge reserve               | 22    | -             | 47                      | -                     | -                 | 47           |
| Total recognised income and expenses for the year |       | -             | 47                      | -                     | (425)             | (378)        |
| Movement in share options reserve                 | 22    | -             | -                       | 211                   | -                 | 211          |
| Shares issued                                     | 21    | 300           | -                       | -                     | -                 | 300          |
| <b>Balance at 30 June 2008</b>                    |       | 15,580        | 47                      | 596                   | (903)             | 15,320       |
| Net loss attributable to shareholders             |       | -             | -                       | -                     | (1,815)           | (1,815)      |
| Movement in cash flow hedge reserve               | 22    | -             | (100)                   | -                     | -                 | (100)        |
| Total recognised income and expenses for the year |       | -             | (100)                   | -                     | (1,815)           | (1,915)      |
| Movement in share options reserve                 | 22    | -             | -                       | (35)                  | 35                | -            |
| <b>Balance at 30 June 2009</b>                    |       | 15,580        | (53)                    | 561                   | (2,683)           | 13,405       |

| Parent  | Notes | Share capital | Cash flow hedge reserve | Share options reserve | Retained earnings | Total equity |
|---|-------|---------------|-------------------------|-----------------------|-------------------|--------------|
|   |       | \$000         | \$000                   | \$000                 | \$000             | \$000        |
| <b>Balance at 1 July 2007</b>                     |       | 36,942        | -                       | 385                   | (11,848)          | 25,479       |
| Net loss attributable to shareholders             |       | -             | -                       | -                     | (481)             | (481)        |
| Total recognised income and expenses for the year |       | -             | -                       | -                     | (481)             | (481)        |
| Movement in share options reserve                 | 22    | -             | -                       | 211                   | -                 | 211          |
| Shares issued                                     | 21    | 300           | -                       | -                     | -                 | 300          |
| <b>Balance at 30 June 2008</b>                    |       | 37,242        | -                       | 596                   | (12,329)          | 25,509       |
| Net loss attributable to shareholders             |       | -             | -                       | -                     | (358)             | (358)        |
| Total recognised income and expenses for the year |       | -             | -                       | -                     | (358)             | (358)        |
| Movement in share options reserve                 | 22    | -             | -                       | (35)                  | 35                | -            |
| <b>Balance at 30 June 2009</b>                    |       | 37,242        | -                       | 561                   | (12,652)          | 25,151       |

The above statements of changes in equity should be read in conjunction with the accompanying notes.

## BALANCE SHEETS

As at 30 June 2009

|                                      | Notes  | Group        |              | Parent       |              |
|--------------------------------------|--------|--------------|--------------|--------------|--------------|
|                                      |        | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|                                      |        | \$000        | \$000        | \$000        | \$000        |
| <b>EQUITY</b>                        |        |              |              |              |              |
| Share capital                        | 21     | 15,580       | 15,580       | 37,242       | 37,242       |
| Share options reserve                | 22     | 561          | 596          | 561          | 596          |
| Cash flow hedge reserve              | 22     | (53)         | 47           | -            | -            |
| Accumulated losses                   | 22     | (2,683)      | (903)        | (12,652)     | (12,329)     |
| <b>TOTAL EQUITY</b>                  |        | 13,405       | 15,320       | 25,151       | 25,509       |
| <b>LIABILITIES</b>                   |        |              |              |              |              |
| <b>Non-current liabilities</b>       |        |              |              |              |              |
| Borrowings                           | 18     | -            | 3,320        | -            | 662          |
| <b>Total non-current liabilities</b> |        | -            | 3,320        | -            | 662          |
| <b>Current liabilities</b>           |        |              |              |              |              |
| Bank overdraft                       | 9      | 364          | -            | -            | -            |
| Trade and other payables             | 17     | 3,213        | 3,799        | 142          | 13           |
| Borrowings                           | 18     | 6,734        | 1,643        | 662          | -            |
| Derivative financial instruments     | 20     | 53           | -            | -            | -            |
| <b>Total current liabilities</b>     |        | 10,364       | 5,442        | 804          | 13           |
| <b>TOTAL LIABILITIES</b>             |        | 10,364       | 8,762        | 804          | 675          |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |        | 23,769       | 24,082       | 25,955       | 26,184       |
| <b>ASSETS</b>                        |        |              |              |              |              |
| <b>Non-current assets</b>            |        |              |              |              |              |
| Investments in subsidiaries          | 12     | -            | -            | 12,246       | 12,246       |
| Property, plant and equipment        | 13     | 5,802        | 5,929        | -            | -            |
| Deferred tax                         | 15 (a) | 1,119        | 306          | 134          | -            |
| Intangible assets                    | 14     | 9,235        | 9,161        | -            | -            |
| Other non current assets             |        | 60           | 26           | -            | -            |
| <b>Total non current assets</b>      |        | 16,216       | 15,422       | 12,380       | 12,246       |
| <b>Current assets</b>                |        |              |              |              |              |
| Cash and cash equivalents            | 9      | -            | 328          | 86           | 133          |
| Trade and other receivables          | 10     | 2,500        | 2,540        | -            | -            |
| Inventories                          | 11     | 4,629        | 5,325        | -            | -            |
| Prepayments and other assets         | 10     | 424          | 323          | -            | 8            |
| Taxation receivable                  | 15 (b) | -            | 97           | -            | 40           |
| Derivative financial instruments     | 20     | -            | 47           | -            | -            |
| Balances due from subsidiaries       | 24     | -            | -            | 13,489       | 13,757       |
| <b>Total current assets</b>          |        | 7,553        | 8,660        | 13,575       | 13,938       |
| <b>TOTAL ASSETS</b>                  |        | 23,769       | 24,082       | 25,955       | 26,184       |

The above balance sheets should be read in conjunction with the accompanying notes.

Net tangible asset per security (cents)

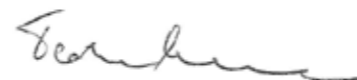
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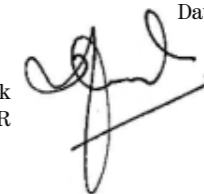
For and on behalf of the Board.

Dated: 28 August 2009

Ted van Arkel  
CHAIRMAN



Tim Cook  
DIRECTOR



## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2009

| Notes   | Group                      |                            | Parent                     |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|   | \$000                      | \$000                      | \$000                      | \$000                      |
| <b>OPERATING ACTIVITIES</b>                                 |                            |                            |                            |                            |
| <b>Cash was provided from</b>                               |                            |                            |                            |                            |
| Receipts from customers                                     | 31,301                     | 29,562                     | -                          | -                          |
| Interest received   | 7                          | 4                          | -                          | -                          |
| Income taxes received                                       | 97                         | -                          | -                          | -                          |
| <b>Cash was applied to</b>                                  |                            |                            |                            |                            |
| Payments to suppliers and employees                         | (32,482)                   | (30,900)                   | (1)                        | (321)                      |
| Interest paid   | (641)                      | (219)                      | (46)                       | (38)                       |
| Income tax paid   | -                          | (137)                      | -                          | -                          |
| <b>Net cash outflows from operating activities</b>          | <b>(1,718)</b>             | <b>(1,690)</b>             | <b>(47)</b>                | <b>(359)</b>               |
| <b>INVESTING ACTIVITIES</b>                                 |                            |                            |                            |                            |
| <b>Cash was applied to</b>                                  |                            |                            |                            |                            |
| Purchase of property, plant and equipment                   | (745)                      | (3,516)                    | -                          | -                          |
| Investment in subsidiary                                    | -                          | -                          | -                          | (586)                      |
| <b>Net cash outflows from investing activities</b>          | <b>(745)</b>               | <b>(3,516)</b>             | <b>-</b>                   | <b>(586)</b>               |
| <b>FINANCING ACTIVITIES</b>                                 |                            |                            |                            |                            |
| <b>Cash was provided from</b>                               |                            |                            |                            |                            |
| Proceeds of borrowings                                      | 1,771                      | 4,963                      | -                          | 662                        |
| Proceeds from issue of shares                               | -                          | 300                        | -                          | 300                        |
| <b>Net cash inflows from financing activities</b>           | <b>1,771</b>               | <b>5,263</b>               | <b>-</b>                   | <b>962</b>                 |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(692)</b>               | <b>57</b>                  | <b>(47)</b>                | <b>17</b>                  |
| Cash and cash equivalents at beginning of year              | 328                        | 271                        | 133                        | 116                        |
| <b>Cash and cash equivalents at end of year</b>             | <b>(364)</b>               | <b>328</b>                 | <b>86</b>                  | <b>133</b>                 |
| <b>COMPOSITION OF CASH</b>                                  |                            |                            |                            |                            |
| Cash and cash equivalents                                   | 9                          | (364)                      | 328                        | 86                         |
|   |                            |                            |                            | 133                        |

## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2009

| Notes  | Group                      |                            | Parent                     |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|  | \$000                      | \$000                      | \$000                      | \$000                      |
| <b>RECONCILIATION WITH NET REPORTED LOSS</b>         |                            |                            |                            |                            |
| <b>Reported net loss after tax</b>                   | <b>(1,815)</b>             | <b>(425)</b>               | <b>(358)</b>               | <b>(481)</b>               |
| <b>Items not involving cash flows</b>                |                            |                            |                            |                            |
| Depreciation expense                                 | 813                        | 581                        | -                          | -                          |
| Amortisation expense                                 | 223                        | 66                         | -                          | -                          |
| Bad debts written off and movement in doubtful debts | 66                         | 20                         | -                          | -                          |
| Share option expense                                 | -                          | 211                        | -                          | 211                        |
| Gain on disposal of assets                           | (3)                        | -                          | -                          | -                          |
| Foreign exchange gain                                | (299)                      | -                          | -                          | -                          |
| Movement in deferred tax                             | (813)                      | (198)                      | -                          | -                          |
| Other movement                                       | (136)                      | -                          | -                          | -                          |
| <b>Impact of changes in working capital items</b>    |                            |                            |                            |                            |
| Decrease/(increase) in trade receivables             | 40                         | (468)                      | 268                        | (86)                       |
| Decrease/(increase) in inventories                   | 696                        | (2,715)                    | -                          | -                          |
| Decrease/(increase) in prepayments and other assets  | (101)                      | (164)                      | 8                          | -                          |
| Decrease/(increase) in taxation receivable           | 97                         | (137)                      | (94)                       | -                          |
| (Decrease)/increase in trade payables                | (586)                      | 1,586                      | 129                        | (3)                        |
| Decrease/(increase) in derivatives                   | 100                        | (47)                       | -                          | -                          |
| <b>Net cash outflows from operating activities</b>   | <b>(1,718)</b>             | <b>(1,690)</b>             | <b>(47)</b>                | <b>(359)</b>               |

The above statements of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

### GENERAL INFORMATION

Charlie's Group Limited ("Parent") and its subsidiaries ("Group") is a leading manufacturer, marketer and distributor of quality beverages.

The Parent is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 87 Henderson Valley Road, Henderson, Auckland.

These financial statements were approved for issue by the Board of Directors on 28 August 2009.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ending 30 June 2009 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and are on a going concern basis (refer Subsequent Event note 28). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable New Zealand Financial Reporting Standards. The financial statements comply with International Financial Reporting Standards ("IFRS").

#### (a) Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

#### *Entities reporting*

The financial statements for the Parent are for Charlie's Group Limited as a separate legal entity. The Group financial statements are the consolidated financial statements of the Group comprising the Company and its subsidiaries. The Company and its subsidiaries are designated as profit oriented entities for financial reporting purposes.

#### *Reporting period*

These financial statements are in respect of the year commencing 1 July 2008 to 30 June 2009. The comparative period is in respect of the period 1 June 2007 to 30 June 2008.

#### *Statutory base*

Charlie's Group Limited is a company incorporated in New Zealand, registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange ("NZX").

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### *Critical accounting estimates, judgements and assumptions*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those in relation to the estimated impairment of intangibles and the recognition of the deferred tax asset. The Group tests annually whether intangibles have suffered any impairment, in accordance with the accounting policy stated in Note 1(j) and as disclosed in Note 14.

The recognition of the Deferred Tax Asset is also an area of critical accounting judgement. All tax losses from the year ended 30 June 2009 have been recognised as a deferred tax asset given the Director's expectation of future taxable profits. The decision to recognise this Deferred Tax Asset will be reviewed, based on the Group's performance to budget at 31 December 2009, and again at 30 June 2010: Refer to Note 15 (a) for further disclosures in relation to the Deferred Tax Asset.

#### (b) Principles of consolidation

##### *Subsidiaries*

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement. In the case of reverse acquisitions the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

##### *Investments*

Investments in subsidiaries of the Parent financial statements are valued at cost.

**(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group operates in one business segment, being the manufacture, marketing and distribution of quality beverages. The Group is organised into the following geographical segments: New Zealand and Australia. Financial details of these segments are outlined in Note 3.

**(d) Foreign currency translation***Functional and presentation currency*

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

**(e) Revenue recognition**

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax ("GST"), rebates, discounts and after eliminating sales within the Group. Revenue is recognised as follows:

*Sales of goods*

Sales of goods are recognised when a Group entity sells a product to a customer. These are recognised net of returns, trade allowance, rebates, discounts, duties and taxes paid.

*Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

**(f) Advertising and promotion costs**

Advertising and promotion costs are expensed when incurred.

**(g) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(h) Goods and Services Tax (GST)**

The Income Statement and Statement of Cash Flows have been prepared exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of trade receivables and trade payables, which include GST invoiced.

**(i) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

**(j) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(k) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

**(l) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The movement in the amount of the provision is recognised in the Income Statement.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and inconsistency in timing of payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

**(m) Inventories**

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials, labour and production overheads. For manufactured goods, cost includes direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**(n) Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the assets. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### **(o) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to Income Statement over the period to maturity.

#### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when a hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when a forecast transaction is ultimately

recognised in the Income Statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

#### **Derivatives that do not qualify for hedge accounting**

Hedge accounting has not been adopted for some hedges including certain derivative instruments that do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement.

#### **(p) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Gains or losses arising from changes in the fair value of the financial assets category are presented in the Income Statement in the period in which they arise.

#### **(q) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with an item will flow to the Group and the cost of an item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

|                        |             |
|------------------------|-------------|
| Leasehold Improvements | 2 -15 years |
| Buildings              | 33 years    |
| Office Equipment       | 3 -13 years |
| Plant and Equipment    | 3 -13 years |
| Motor Vehicles         | 6 years     |

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the Income Statement.

#### **(r) Intangible assets**

##### *Software costs*

Software costs have a finite useful life. Software costs are capitalised and amortised over the estimated useful economic life of 2 to 5 years. Costs associated with developing or maintaining computer software programs are expensed as incurred.

##### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over fair value of the net identifiable assets of acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is annually tested for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

**(s) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end the financial year, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(t) Provisions**

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

**(u) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, and difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**(v) Financing expense**

Financing expense comprises interest expense on interest bearing liabilities calculated using the effective interest rate method.

**(w) Employee benefits**

Wages and salaries, annual leave and sick leave Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present the projected unit value of expected future payments to be made in respect of services provided by employees up to the reporting date using credit method. Consideration is given to expected future wage and salary levels, history of employee departure rates and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

*Equity settled share based compensation*

The Share Option Plan allows Group directors and employees to acquire shares of the Parent Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the share options reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

**(x) Share capital**

Ordinary shares are classified as capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(y) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

**(z) Derecognition of Financial Assets and Liabilities**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations for payment of cash flows have expired or have been transferred and the Group has transferred substantially all of the obligations.

**(aa) Statement of Cash Flows**

The following are the definitions of the terms used in the Statement of Cash Flows:

- (i) Cash comprises cash and bank balances.
- (ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.
- (iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash.
- (iv) Operating activities include all transactions and other events that are not investing or financing activities.

**(bb) Standards, amendments and interpretations to existing standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted:

- Amendments to NZIAS 1 Presentation of Financial Statements and the new Standard NZ IFRS 8 Operating segments (effective from 1 January 2009) have an impact on the presentation and disclosure of certain financial information. There is no impact on measurement. The Group will apply these from 1 July 2009.
- NZ IFRS 3 (Revised) 'Business Combinations' and NZ IAS 27 (Revised) – Consolidated and Separate Financial Statements (effective from 1 January 2009). The amendments include a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the Income Statement. The impact is dependent on the acquisition activity. The Group will apply these from 1 July 2009.

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options and interest rate swaps to manage certain risk exposures.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

The Parent entity is not exposed to any significant financial risk.

### (a) Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Refer to Notes 10 and 17 for receivables and payables denominated in foreign currencies.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The Group enters into forward foreign currency contracts within policy parameters to manage foreign exchange risk on anticipated sales or costs denominated principally in Australian dollars. The terms of the forward foreign currency contracts generally do not exceed five years.

Foreign exchange contracts in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales. Major capital expenditure in foreign currency is hedged with forward exchange contracts.

Refer to Note 20 for notional principal amounts and valuations of foreign exchange contracts outstanding at balance date. A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 2 (a) (iii).

#### (ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Under the Group Treasury policy, the mix between economically fixed and floating debt is reviewed on a regular basis. Interest rate swaps are accounted for as cash flow hedges. There were no interest rate swaps held at either 30 June 2009 or 30 June 2008.

Refer to Note 18 for further details of the Group's borrowings.

#### (iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. A sensitivity of 10% for foreign exchange risk has been selected. These sensitivities are prior to the offsetting impact of hedging instruments. The Group's primary foreign currency exposure is the NZ dollar versus the Australian dollar, with other currencies as discussed above forming the balance of the exposure. While it is unlikely that an equal 10% movement of the NZ dollar would be observed against all currencies, an overall sensitivity of 10% is reasonable given the exchange rate volatility observed on a historical basis for the preceding 5 year period and market expectations for potential future movements.

A sensitivity of 1% has been selected for interest rate risk. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceding 5 year period.

Amounts are shown net of income tax. All variables other than the applicable interest rates and exchange rates are held constant.

| 2009                             | Carrying amount | Interest rate risk |              |              |              | Foreign exchange risk |              |              |              |
|----------------------------------|-----------------|--------------------|--------------|--------------|--------------|-----------------------|--------------|--------------|--------------|
|                                  |                 | -1%                |              | +1%          |              | -10%                  |              | +10%         |              |
|                                  |                 | Profit \$000       | Equity \$000 | Profit \$000 | Equity \$000 | Profit \$000          | Equity \$000 | Profit \$000 | Equity \$000 |
|                                  | \$000           |                    |              |              |              |                       |              |              |              |
| Derivative financial instruments | (53)            |                    |              |              |              | (38)                  |              |              | 38           |
| Other financial assets:          |                 |                    |              |              |              |                       |              |              |              |
| Cash and cash equivalents        | (364)           | -                  | -            | -            | -            | 18                    | -            | (15)         | -            |
| Trade and other receivables      | 2,564           | -                  | -            | -            | -            | 57                    | -            | (46)         | -            |
| Other financial liabilities      |                 |                    |              |              |              |                       |              |              |              |
| Trade and other payables         | 2,302           | -                  | -            | -            | -            | (41)                  | -            | 33           | -            |
| Interest-bearing liabilities     | 6,734           | 67                 | -            | (67)         | -            | -                     | -            | -            | -            |
| Total increase/(decrease)        |                 | 67                 | -            | (67)         | -            | 34                    | (38)         | (28)         | 38           |

| 2008                             | Carrying amount | Interest rate risk |              |              |              | Foreign exchange risk |              |              |              |
|----------------------------------|-----------------|--------------------|--------------|--------------|--------------|-----------------------|--------------|--------------|--------------|
|                                  |                 | -1%                |              | +1%          |              | -10%                  |              | +10%         |              |
|                                  |                 | Profit \$000       | Equity \$000 | Profit \$000 | Equity \$000 | Profit \$000          | Equity \$000 | Profit \$000 | Equity \$000 |
|                                  | \$000           |                    |              |              |              |                       |              |              |              |
| Derivative financial instruments | 47              | -                  | -            | -            | -            | (22)                  | -            | -            | 22           |
| Other financial assets:          |                 |                    |              |              |              |                       |              |              |              |
| Cash and cash equivalents        | 328             | -                  | -            | -            | -            | 35                    | -            | (29)         | -            |
| Trade and other receivables      | 2,547           | -                  | -            | -            | -            | 44                    | -            | (36)         | -            |
| Other financial liabilities      |                 |                    |              |              |              |                       |              |              |              |
| Trade and other payables         | 3,378           | -                  | -            | -            | -            | (160)                 | -            | 131          | -            |
| Interest-bearing liabilities     | 4,963           | 50                 | -            | (50)         | -            | -                     | -            | -            | -            |
| Total increase/(decrease)        |                 | 50                 | -            | (50)         | -            | (81)                  | (22)         | 66           | 22           |

The interest rate sensitivity for 2009 is greater than 2008 as 2009 interest-bearing liabilities had increased due to funding required for the acquisition and commissioning of the Charlie's bottling facility in Renmark, Australia.

The Parent is exposed to interest rate risk on borrowings of \$662,000, change in interest rate of +1% will have a \$7,000 impact on profit (2008: \$7,000) and change in interest rate of -1% will have \$6,000 impact on profit (2008: \$6,000). The Parent is not exposed to any other significant financial risk.

**(b) Credit risk**

Credit risk is managed on a Group basis. Other than only operating in the juice industry, the Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group's maximum exposure to credit risk for net trade receivables as at 30 June by geographic region is as follows:

|              | 2009<br>\$000 | 2008<br>\$000 |
|--------------|---------------|---------------|
| Australia    | 598           | 400           |
| New Zealand  | 1,966         | 2,147         |
| <b>Total</b> | <b>2,564</b>  | <b>2,547</b>  |

**(c) Liquidity risk**

Management monitors rolling forecasts of the Group's liquidity position reserve on the basis of expected cash flow. See Note 18 for details of available facilities.

The tables below analyse the Group's and the Parent entity's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**Group**

|                           | Less than 1<br>year<br>\$000 | Between 1 and 2<br>years<br>\$000 | Between 2 and 5<br>years<br>\$000 | Over 5<br>years<br>\$000 |
|---------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>As at 30 June 2009</b> |                              |                                   |                                   |                          |
| Trade payables            | 3,213                        | -                                 | -                                 | -                        |
| Borrowings                | 6,734                        | -                                 | -                                 | -                        |

|                           | Less than 1<br>year<br>\$000 | Between 1 and<br>2 years<br>\$000 | Between 2 and<br>5 years<br>\$000 | Over 5<br>years<br>\$000 |
|---------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>As at 30 June 2008</b> |                              |                                   |                                   |                          |
| Trade payables            | 3,799                        | -                                 | -                                 | -                        |
| Borrowings                | 2,065                        | 421                               | 3,742                             | -                        |

**Parent**

|                           | Less than 1<br>year<br>\$000 | Between 1 and 2<br>years<br>\$000 | Between 2 and 5<br>years<br>\$000 | Over 5<br>years<br>\$000 |
|---------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>As at 30 June 2009</b> |                              |                                   |                                   |                          |
| Trade payables            | 142                          | -                                 | -                                 | -                        |
| Borrowings                | 622                          | -                                 | -                                 | -                        |

|                           | Less than 1<br>year<br>\$000 | Between 1 and 2<br>years<br>\$000 | Between 2 and 5<br>years<br>\$000 | Over 5<br>years<br>\$000 |
|---------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>As at 30 June 2008</b> |                              |                                   |                                   |                          |
| Trade payables            | 13                           | -                                 | -                                 | -                        |
| Borrowings                | 59                           | 59                                | 72                                | -                        |

The Group enters into forward exchange contracts to risk manage foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between balance date and the following 5 years.

| <b>At 30 June 2009</b>             | Less than 1<br>year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | Over 5 years<br>\$000 |
|------------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------------|
| Forward foreign exchange contracts |                              |                                   |                                   |                       |
| Inflow                             | 771                          | -                                 | -                                 | -                     |
| Outflow                            | (824)                        | -                                 | -                                 | -                     |
| Net                                | 53                           | -                                 | -                                 | -                     |

| <b>At 30 June 2008</b>             | Less than 1<br>year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | Over 5 years<br>\$000 |
|------------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------------|
| Forward foreign exchange contracts | -                            | -                                 | -                                 | -                     |
| Inflow                             | 222                          | -                                 | -                                 | -                     |
| Outflow                            | (175)                        | -                                 | -                                 | -                     |
| Net                                | 47                           | -                                 | -                                 | -                     |

**(d) Fair value estimation**

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Refer to Note 1 (p) for further information on fair value estimation.

**(e) Capital risk management**

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the structure the Group has the ability to review the return on capital or issue new shares, reduce or increase debt or sell assets.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the bank quarterly. The principal covenants relating to capital management are the interest cover ratio, debt leverage ratio, and debt service coverage ratio.

The Group is subject to covenants in relation to bank borrowings. Certain covenants were in breach at 31 December 2008. However, ANZ subsequently issued a waiver of these breaches on 27 February 2009. The next covenant test date is 30 September 2010. Refer to Subsequent Events note 28.

### 3. SEGMENT INFORMATION

#### (a) Description of segments

##### Primary Segments - Business

The Group operates in one business segment, being the manufacture, marketing and distribution of quality beverages.

##### Geographical segments

A geographical segment is engaged in providing products within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group is organised into the following geographical segments:

- New Zealand
- Australia

#### (b) Secondary reporting format - geographical segments

|              | Total assets               |                            | Capital expenditure        |                            |
|--------------|----------------------------|----------------------------|----------------------------|----------------------------|
|              | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|              | \$000                      | \$000                      | \$000                      | \$000                      |
| New Zealand* | 20,949                     | 21,589                     | 347                        | 833                        |
| Australia    | 2,820                      | 2,493                      | 661                        | 2,566                      |
| <b>Total</b> | <b>23,769</b>              | <b>24,082</b>              | <b>1,008</b>               | <b>3,399</b>               |

|              | Operating loss             |                            | Operating revenue          |                            |
|--------------|----------------------------|----------------------------|----------------------------|----------------------------|
|              | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|              |                            |                            |                            |                            |
| New Zealand* | (1,731)                    | (100)                      | 26,243                     | 26,506                     |
| Australia    | (84)                       | (325)                      | 5,018                      | 3,540                      |
| <b>Total</b> | <b>(1,815)</b>             | <b>(425)</b>               | <b>31,261</b>              | <b>30,046</b>              |

\* Export sales are included within New Zealand as export sales are derived directly from the New Zealand operations.

### 4. OPERATING REVENUE

|                                | Group                      |                            | Parent                     |                            |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|                                | \$000                      | \$000                      | \$000                      | \$000                      |
| <b>Income</b>                  |                            |                            |                            |                            |
| Gross sales                    | 34,101                     | 33,336                     | -                          | -                          |
| Discounts given                | (2,840)                    | (3,290)                    | -                          | -                          |
| <b>Total operating revenue</b> | <b>31,261</b>              | <b>30,046</b>              | <b>-</b>                   | <b>-</b>                   |

### 5. OPERATING EXPENSES

|  | Group                      |                            | Parent                     |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|  | \$000                      | \$000                      | \$000                      | \$000                      |
| <b>Operating expenses include:</b>                 |                            |                            |                            |                            |
| <b>Auditors' fees</b>                              |                            |                            |                            |                            |
| Audit fees paid to principal auditors              | 63                         | 52                         | -                          | -                          |
| Fees paid for other services by principal auditors |                            |                            |                            |                            |
| - taxation compliance                              | 29                         | 48                         | 29                         | 48                         |
| - IFRS and IT accounting services                  | 34                         | 49                         | 20                         | 49                         |
| <b>Total Auditors' fees</b>                        | <b>126</b>                 | <b>149</b>                 | <b>49</b>                  | <b>97</b>                  |
| <b>Other Accounting Fees</b>                       |                            |                            |                            |                            |
| Goodwill Impairment review                         | 20                         | -                          | -                          | -                          |
| <b>Depreciation</b>                                |                            |                            |                            |                            |
| Leasehold improvements                             | -                          | -                          | -                          | -                          |
| Buildings  | 47                         | 36                         | -                          | -                          |
| Office equipment                                   | 33                         | 27                         | -                          | -                          |
| Plant and equipment                                | 647                        | 463                        | -                          | -                          |
| Motor vehicles                                     | 86                         | 55                         | -                          | -                          |
| <b>Total depreciation</b>                          | <b>813</b>                 | <b>581</b>                 | <b>-</b>                   | <b>-</b>                   |
| Gain on disposal of property, plant & equipment    | (4)                        | -                          | -                          | -                          |
| Rental and operating lease expense                 | 1,970                      | 1,305                      | -                          | -                          |
| Bad debts write-offs                               | 9                          | 29                         | -                          | -                          |
| Increase in estimated doubtful debts               | 57                         | 9                          | -                          | -                          |
| Donations  | 1                          | 4                          | -                          | -                          |
| Foreign exchange currency losses/(gains)           | (261)                      | (314)                      | -                          | -                          |
| Directors' fees                                    | 118                        | 115                        | 115                        | 115                        |
| <b>Amortisation</b>                                |                            |                            |                            |                            |
| Software costs                                     | 223                        | 66                         | -                          | -                          |
| <b>Total amortisation</b>                          | <b>223</b>                 | <b>66</b>                  | <b>-</b>                   | <b>-</b>                   |

### 6. EMPLOYEE BENEFITS

|                             | Group                      |                            | Parent                     |                            |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                             | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|                             | \$000                      | \$000                      | \$000                      | \$000                      |
| Wages and salaries          | 4,569                      | 3,540                      | -                          | -                          |
| Other employment costs      | 240                        | 370                        | -                          | -                          |
| Employee share option plans | -                          | 211                        | -                          | 211                        |
| <b>Total</b>                | <b>4,809</b>               | <b>4,121</b>               | <b>-</b>                   | <b>211</b>                 |

## 7. INCOME TAX EXPENSE

### (a) Income tax expense

|   | Group                               |                                     | Parent                              |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 |
| Current tax expense:                        |                                     |                                     |                                     |                                     |
| Current tax                                 | (601)                               | (167)                               | (94)                                | -                                   |
| Adjustments for prior years                 | (45)                                | -                                   | -                                   | -                                   |
| Deferred tax expense:                       |                                     |                                     |                                     |                                     |
| Decrease in future tax benefit current year | (136)                               | -                                   | -                                   | -                                   |
| Reduction in tax rate                       |                                     | 13                                  |                                     |                                     |
| Benefit of losses not assessable            | -                                   | -                                   | -                                   | -                                   |
| <b>Total income tax expense</b>             | <b>(782)</b>                        | <b>(154)</b>                        | <b>(94)</b>                         | <b>-</b>                            |

### (b) Reconciliation of income tax expense to tax rate applicable to profits

|   |              |              |             |          |
|---|--------------|--------------|-------------|----------|
| Loss before income tax expense  | (2,597)      | (579)        | (452)       | (481)    |
| Tax at the rate of 30%  | (779)        | (191)        | (136)       | (159)    |
| Tax effect of amounts which are either deductible or taxable in calculating taxable income: |              |              |             |          |
| Income not subject to tax   | -            | -            | -           | -        |
| Expenses not deductible for tax   | 46           | 13           | 42          | -        |
| Prior period adjustments  | 87           | 24           | -           | -        |
| Group loss offset   | -            | -            | -           | 159      |
| Benefit of losses not previously recognised   | (136)        | -            | -           | -        |
| <b>Total Income tax expense</b>   | <b>(782)</b> | <b>(154)</b> | <b>(94)</b> | <b>-</b> |

The New Zealand corporate tax rate has changed from 33% to 30% with effect from 1 April 2008 for the Group.

## 8. EARNINGS PER SHARE

### Basic Earnings per share

Basic earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares on issue during the year.

|   | Group                             |                                   | Parent                            |                                   |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | Year ended<br>30 June 2009<br>000 | Year ended<br>30 June 2008<br>000 | Year ended<br>30 June 2009<br>000 | Year ended<br>30 June 2008<br>000 |
| Net loss attributable to shareholders                           | (1,815)                           | (425)                             | (358)                             | (481)                             |
| Weighted average number of ordinary shares on issue (thousands) | 290,165                           | 288,671                           | 290,165                           | 288,671                           |
| Basic earnings per share (cents)                                | <b>(0.63)</b>                     | <b>(0.14)</b>                     | <b>(0.12)</b>                     | <b>(0.17)</b>                     |

Diluted earnings per share is anti-dilutive and is therefore not disclosed.

## 9. CASH AND CASH EQUIVALENTS

|  | Group                               |                                     | Parent                              |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 |
| Cash at bank – NZD balances              | (528)                               | 14                                  | 86                                  | 133                                 |
| Cash at bank – Foreign currency balances | 164                                 | 314                                 | -                                   | -                                   |
|  | <b>(364)</b>                        | <b>328</b>                          | <b>86</b>                           | <b>133</b>                          |

Carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

|                     |              |            |           |            |
|---------------------|--------------|------------|-----------|------------|
| New Zealand dollars | (528)        | 14         | 86        | 133        |
| Australian dollars  | 164          | 314        | -         | -          |
|                     | <b>(364)</b> | <b>328</b> | <b>86</b> | <b>133</b> |

The carrying amount for cash and cash equivalents equals the fair value.

## 10. TRADE AND OTHER RECEIVABLES

|                                  | Group                      |                            | Parent                     |                            |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                  | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|                                  | \$000                      | \$000                      | \$000                      | \$000                      |
| Trade receivables                | 2,564                      | 2,547                      | -                          | -                          |
| Provision for doubtful debts     | (64)                       | (7)                        | -                          | -                          |
| Net trade receivables            | 2,500                      | 2,540                      | -                          | -                          |
| Other receivables                | 424                        | 323                        | -                          | 8                          |
| Due from subsidiaries            | -                          | -                          | 13,489                     | 13,757                     |
| <b>Total current receivables</b> | <b>2,924</b>               | <b>2,863</b>               | <b>13,489</b>              | <b>13,765</b>              |

The fair value of trade and other receivables approximates their carrying value. No interest is charged on trade receivables.

The carrying amounts of the Group's net trade receivables are denominated in the following currencies:

|                     | Group                      |                            | Parent                     |                            |
|---------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                     | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
|                     | \$000                      | \$000                      | \$000                      | \$000                      |
| Australian dollars  | 598                        | 400                        | -                          | -                          |
| New Zealand dollars | 1,902                      | 2,140                      | -                          | -                          |
| <b>Total</b>        | <b>2,500</b>               | <b>2,540</b>               | <b>-</b>                   | <b>-</b>                   |

As at 30 June 2009, trade receivables excluding intercompany of \$425,000 (2008: \$439,000) were past due but not considered doubtful. These relate to a number of accounts for which there is no recent history of default. The aging analysis of these receivables is shown below:

### Receivables past due not doubtful

|                | Group                      |                            | Parent                     |                            |
|----------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 | Year ended<br>30 June 2009 | Year ended<br>30 June 2008 |
| Days past due: |                            |                            |                            |                            |
| 30 days        | 219                        | 232                        | -                          | -                          |
| 60 days        | 98                         | 145                        | -                          | -                          |
| 90 days +      | 108                        | 62                         | -                          | -                          |
| <b>Total</b>   | <b>425</b>                 | <b>439</b>                 | <b>-</b>                   | <b>-</b>                   |

As at 30 June 2009, trade receivables of \$64,000 (2008: \$7,000) were considered doubtful. The amount of the provision is \$64,000 (2008: \$7,000). The individually doubtful receivables mainly relate to debtors who are experiencing financial difficulties.

The aging of these doubtful receivables which have been provided for is shown below:

### Receivables doubtful

|                | Group        |              | Parent       |              |
|----------------|--------------|--------------|--------------|--------------|
|                | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|                | \$000        | \$000        | \$000        | \$000        |
| Days past due: |              |              |              |              |
| 30 days        | -            | -            | -            | -            |
| 60 days        | -            | -            | -            | -            |
| 90 days +      | 64           | 7            | -            | -            |
| <b>Total</b>   | <b>64</b>    | <b>7</b>     | <b>-</b>     | <b>-</b>     |

Movements in the provision for doubtful receivables are shown below:

|   | Group        |              | Parent       |              |
|---|--------------|--------------|--------------|--------------|
|   | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|   | \$000        | \$000        | \$000        | \$000        |
| At 1 July 2008                          | 7            | 16           | -            | -            |
| Provision for doubtful receivables      | 57           | 0            | -            | -            |
| Receivables written off during the year | -            | (9)          | -            | -            |
| At 30 June 2009                         | <b>64</b>    | <b>7</b>     | <b>-</b>     | <b>-</b>     |

The creation and release of provision on doubtful receivables have been included in 'administration and other expenses' in the Income Statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

### Customer and receivable concentration

|   | Group        |              |
|---|--------------|--------------|
|   | 30 June 2009 | 30 June 2008 |
|   | \$000        | \$000        |
| Five largest customers proportion of the Group: |              |              |
| Operating revenue                               | 15,248       | 14,600       |
| Trade receivables                               | 870          | 919          |

There is no history of default in relation to these customers. The Parent, Charlie's Group Limited, has no trade receivables.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

## 11. INVENTORIES

|                      | Group        |              |
|----------------------|--------------|--------------|
|                      | 30 June 2009 | 30 June 2008 |
|                      | \$000        | \$000        |
| Raw materials        | 2,472        | 2,062        |
| Finished goods       | 2,187        | 3,293        |
| Inventory provisions | (30)         | (30)         |
| Net inventories      | <u>4,629</u> | <u>5,325</u> |

Inventory provisions are for stock obsolescence. The Parent, Charlie's Group Limited, has no inventory holdings.

## 12. INVESTMENTS IN SUBSIDIARIES

The Parent's investment in subsidiaries comprises shares at cost. The assets and liabilities attributed to the Group are owned by the following subsidiaries:

|                        | Parent        |              |
|------------------------|---------------|--------------|
|                        | 30 June 2009  | 30 June 2008 |
|                        | \$000         | \$000        |
| <b>(a) Investments</b> |               |              |
| Shares in subsidiaries | <u>12,246</u> | 12,246       |
| Total investments      | <u>12,246</u> | 12,246       |

### (b) Principal subsidiaries

|   | Country of Incorporation |   | 2009 Interest | 2008 Interest |
|---|--------------------------|---|---------------|---------------|
|   | Activity                 |   |               |               |
| Charlie's Trading Company Limited       | New Zealand              | Juice manufacture, marketing & distribution | 100%          | 100%          |
| Phoenix Organics Limited                | New Zealand              | Dormant company                             | 100%          | 100%          |
| Phoenix Organics (Australia) Limited    | New Zealand              | Juice distribution                          | 100%          | 100%          |
| Phoenix Organics Properties Limited     | New Zealand              | Property holding company                    | 100%          | 100%          |
| Charlie's Group (Australia) Pty Limited | Australia                | Juice manufacture                           | 100%          | 100%          |

All companies above have a balance date consistent with that of the Parent as outlined in the accounting policies.

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group                            | Land       | Buildings    | Office equipment | Plant & equipment | Motor vehicles | Total        |
|----------------------------------|------------|--------------|------------------|-------------------|----------------|--------------|
|                                  | \$000      | \$000        | \$000            | \$000             | \$000          | \$000        |
| <b>Cost</b>                      |            |              |                  |                   |                |              |
| Balance at 1 July 2007           | 186        | 1,308        | 289              | 2,778             | 190            | 4,751        |
| Additions                        | -          | 47           | 38               | 2,988             | 326            | 3,399        |
| Disposals                        | -          | -            | (36)             | (112)             | (13)           | (161)        |
| Balance at 30 June 2008          | <u>186</u> | <u>1,355</u> | <u>291</u>       | <u>5,654</u>      | <u>503</u>     | <u>7,989</u> |
| Balance at 1 July 2008           | 186        | 1,355        | 291              | 5,654             | 503            | 7,989        |
| Additions                        | -          | 7            | 17               | 717               | 7              | 748          |
| Disposals                        | -          | -            | (103)            | (111)             | (6)            | (220)        |
| Balance at 30 June 2009          | <u>186</u> | <u>1,362</u> | <u>205</u>       | <u>6,260</u>      | <u>504</u>     | <u>8,517</u> |
| <b>Depreciation</b>              |            |              |                  |                   |                |              |
| Balance at 1 July 2007           | -          | 248          | 164              | 1,035             | 95             | 1,542        |
| Depreciation charge for the year | -          | 36           | 27               | 463               | 55             | 581          |
| Disposals                        | -          | -            | (37)             | (23)              | (3)            | (63)         |
| Balance at 30 June 2008          | <u>-</u>   | <u>284</u>   | <u>154</u>       | <u>1,475</u>      | <u>147</u>     | <u>2,060</u> |
| Balance at 1 July 2008           | -          | 284          | 154              | 1,475             | 147            | 2,060        |
| Depreciation charge for the year | -          | 47           | 33               | 647               | 86             | 813          |
| Disposals                        | -          | -            | (52)             | (102)             | (4)            | (158)        |
| Balance at 30 June 2009          | <u>-</u>   | <u>331</u>   | <u>135</u>       | <u>2,020</u>      | <u>229</u>     | <u>2,715</u> |
| <b>Carrying amounts</b>          |            |              |                  |                   |                |              |
| At 1 July 2007                   | 186        | 1,060        | 125              | 1,743             | 95             | 3,209        |
| At 30 June 2008                  | <u>186</u> | <u>1,071</u> | <u>137</u>       | <u>4,179</u>      | <u>356</u>     | <u>5,929</u> |
| At 1 July 2008                   | 186        | 1,071        | 137              | 4,179             | 356            | 5,929        |
| At 30 June 2009                  | <u>186</u> | <u>1,031</u> | <u>70</u>        | <u>4,240</u>      | <u>275</u>     | <u>5,802</u> |

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, valued by Colliers International at 30 June 2008 was \$2.54 million. These assets are included in the above table at a net book value of \$1.03 million (2008: \$1.35 million).

On 8 October 2007 Charlie's Australia Pty Limited, a 100% owned subsidiary of Charlie's Group Limited, purchased certain assets of Australian Gallard and Mirage Group for a fair value cash consideration of AUD\$ 681,230 (NZD\$805,332). The Parent Company, Charlie's Group Limited, has no property, plant and equipment.

#### 14. INTANGIBLE ASSETS

| Group                                     | Software<br>\$000 | Goodwill<br>\$000 | Total<br>\$000 |
|---|-------------------|-------------------|----------------|
| <b>Cost</b>                               |                   |                   |                |
| Balance at 1 July 2007                    | 143               | 8,954             | 9,097          |
| Additions                                 | 217               | -                 | 217            |
| Disposals                                 | (6)               | -                 | (6)            |
| Balance at 30 June 2008                   | 354               | 8,954             | 9,308          |
| Balance at 1 July 2008                    | 354               | 8,954             | 9,308          |
| Additions                                 | 297               | -                 | 297            |
| Disposals                                 | (7)               | -                 | (7)            |
| Balance at 30 June 2009                   | 644               | 8,954             | 9,598          |
| <b>Amortisation and impairment losses</b> |                   |                   |                |
| Balance at 1 July 2007                    | 85                | -                 | 85             |
| Amortisation charge for the year          | 66                | -                 | 66             |
| Disposals                                 | (4)               | -                 | (4)            |
| Balance at 30 June 2008                   | 147               | -                 | 147            |
| Balance at 1 July 2008                    | 147               | -                 | 147            |
| Amortisation charge for the year          | 223               | -                 | 223            |
| Disposals                                 | (7)               | -                 | (7)            |
| Balance at 30 June 2009                   | 363               | -                 | 363            |
| <b>Carrying amounts</b>                   |                   |                   |                |
| At 1 July 2007                            | 58                | 8,954             | 9,012          |
| At 30 June 2008                           | 207               | 8,954             | 9,161          |
| At 1 July 2008                            | 207               | 8,954             | 9,161          |
| At 30 June 2009                           | 281               | 8,954             | 9,235          |

The Parent Company, Charlie's Group Limited, has no intangible assets.  
No goodwill has been internally generated.

#### Impairment tests for indefinite life goodwill

Goodwill is measured at an overall group level as Charlie's and Phoenix brands and associated operations are run as one integrated cash generating unit. On an annual basis, the recoverable amount of goodwill is determined based on value-in-use calculations specific to the cash-generating unit (CGU) associated with that goodwill. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a four year period. The terminal value at the end of the four year period has been calculated using an EBITDA multiple approach, and discounted back to 30 June 2009. The Discounted Cash Flow uses a terminal value EBITDA multiple of 5.1 times, which is supported by comparable beverage transaction multiples and the multiples of actively traded food and beverage companies.

The key assumptions used for the value-in-use calculations are as follows:

|                                |      |
|--------------------------------|------|
|                                | 2009 |
| Terminal Growth Rate:          | 2.5% |
| Post-tax discount rate (WACC): | 14%  |

The growth rates adopted are consistent with internal forecasts and budgets. The discount rate used reflects the specific risks relating to the cash flow being discounted.

No indication of any goodwill impairment issue has arisen through these impairment tests.

#### 15. TAXATION

##### (a) Deferred tax benefit

| Group                                      | Tax Losses<br>\$000 | Provisions<br>\$000 | Other<br>\$000 | Total<br>\$000 |
|--|---------------------|---------------------|----------------|----------------|
| <b>At 1 July 2007</b>                      | -                   | 82                  | 26             | 108            |
| Credited/(charged) to the Income Statement | 138                 | 66                  | (6)            | 198            |
| <b>At 30 June 2008</b>                     | 138                 | 148                 | 20             | 306            |
| Credited/(charged) to the Income Statement | 646                 | (19)                | 186            | 813            |
| <b>At 30 June 2009</b>                     | 784                 | 129                 | 206            | 1,119          |
| <b>Parent</b>                              |                     |                     |                |                |
| <b>At 1 July 2007</b>                      | -                   | -                   | -              | -              |
| Credited/(charged) to the Income Statement | -                   | -                   | -              | -              |
| Charged to equity                          | -                   | -                   | -              | -              |
| <b>At 30 June 2008</b>                     | -                   | -                   | -              | -              |
| Credited/(charged) to the Income Statement | -                   | -                   | 94             | 94             |
| Transferred from current tax               | -                   | -                   | 40             | 40             |
| Charged to equity                          | -                   | -                   | -              | -              |
| <b>At 30 June 2009</b>                     | -                   | -                   | 134            | 134            |

All tax losses generated in the year ended 30 June 2009 have been recognised based on the Director's expectation of future taxable profits for the Group.

##### (b) Taxation receivable

|                               | Group                 |                       | Parent                |                       |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                               | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| <b>Movements</b>              |                       |                       |                       |                       |
| Balance at beginning of year  | (97)                  | 40                    | (40)                  | (40)                  |
| Current tax                   |                       | 0                     | 0                     | -                     |
| Tax (paid)/received           | 97                    | (137)                 | 40                    | -                     |
| <b>Balance at end of year</b> | <b>0</b>              | <b>(97)</b>           | <b>0</b>              | <b>(40)</b>           |

#### 16. IMPUTATION CREDITS

|   | Group                 |                       | Parent                |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| Balance at the beginning of the year  | 231                   | 55                    | 28                    | 41                    |
| Imputation credits attached to dividends received                                       | -                     | -                     | -                     | -                     |
| Transfers   |                       | 39                    | -                     | (13)                  |
| Imputation credits arising from taxation paid   | 125                   | 137                   | -                     | -                     |
| <b>Balance at the end of the year</b>   | <b>356</b>            | <b>231</b>            | <b>28</b>             | <b>28</b>             |
| Imputation credits directly and indirectly available to shareholders as at 30 June are: |                       |                       |                       |                       |
| Parent  | 28                    | 28                    | 28                    | 28                    |
| Subsidiaries  | 328                   | 203                   | -                     | -                     |
|   | <b>356</b>            | <b>231</b>            | <b>28</b>             | <b>28</b>             |

## 17. TRADE AND OTHER PAYABLES

|                   | Group        |              | Parent       |              |
|-------------------|--------------|--------------|--------------|--------------|
|                   | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|                   | \$000        | \$000        | \$000        | \$000        |
| Trade payables    | 2,302        | 3,378        | 132          | 13           |
| Accrued expenses  | 671          | 196          | -            | -            |
| Employee benefits | 240          | 225          | 10           | -            |
|                   | <u>3,213</u> | <u>3,799</u> | <u>142</u>   | <u>13</u>    |

### Foreign Currency Risk

The carrying amounts of the Group's and Parent's trade and other payables are denominated in the following currencies:

|                     | Group        |              | Parent       |              |
|---------------------|--------------|--------------|--------------|--------------|
|                     | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|                     | \$000        | \$000        | \$000        | \$000        |
| New Zealand dollars | 2,271        | 2,236        | 142          | 13           |
| Australian dollars  | 942          | 1,563        | -            | -            |
|                     | <u>3,213</u> | <u>3,799</u> | <u>142</u>   | <u>13</u>    |

### Fair Value

The fair value of trade and other payables approximates their carrying value. No interest is paid on payables.

## 18. BORROWINGS

|                              | Group        |              | Parent       |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|                              | \$000        | \$000        | \$000        | \$000        |
| <b>Current</b>               |              |              |              |              |
| Borrowings                   | 6,734        | 1,643        | 662          | -            |
|                              | <u>6,734</u> | <u>1,643</u> | <u>662</u>   | <u>-</u>     |
| <b>Non-current</b>           |              |              |              |              |
| Borrowings                   | -            | 3,320        | -            | 662          |
|                              | <u>-</u>     | <u>3,320</u> | <u>-</u>     | <u>662</u>   |
| <b>BORROWINGS</b>            |              |              |              |              |
| Borrowings due to repayment: |              |              |              |              |
| Current                      | 6,734        | 1,643        | 662          | -            |
| One to two years             | -            | -            | -            | -            |
| Two to three years           | -            | -            | -            | -            |
| Three to four years          | -            | 3,320        | -            | -            |
| Four to five years           | -            | -            | 0            | 662          |
|                              | <u>6,734</u> | <u>4,963</u> | <u>662</u>   | <u>662</u>   |

These borrowings have been aged in accordance with the repayment terms of the facilities. At 30 June 2009 the weighted average floating interest is 8.9% (2008: 13.9%).

Collins Asset Management Limited, a company with a majority shareholding in Charlie's Group Limited have provided a guarantee of \$5.3 million in respect of Charlie's Group Limited facilities with ANZ (2008: \$2.3 million) via a related entity, Cottisloe Holdings Limited. \$3.8 million of this guarantee relates specifically to an additional temporary facility with ANZ, of which \$3.45 million had been used at 30 June 2009 (2008: \$1.64 million). The remaining \$1.5 million of this guarantee is a general guarantee given on 27 February 2009.

On the 28 August 2009 Cottisloe Holdings Limited extended its \$5.3 million guarantee of Charlie's Group Limited facilities with ANZ to 30 August 2010.

Refer to Subsequent events note 28.

Carrying amounts of interest bearing liabilities are equivalent to their fair values.

|   | Group        |              | Parent       |              |
|---|--------------|--------------|--------------|--------------|
|   | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
|   | \$000        | \$000        | \$000        | \$000        |
| <b>Bank overdrafts in foreign currencies:</b> |              |              |              |              |
| Australian dollars                            | -            | 173          | -            | -            |
| <b>Borrowings in foreign currencies:</b>      |              |              |              |              |
| Australian dollars                            | 2,100        | 2,100        | -            | -            |
| Unused lines of credit                        |              |              |              |              |
| Bank overdrafts                               | 380          | 972          | -            | -            |
| Borrowings                                    | 350          | 656          | -            | -            |

## 19. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

|   | Group                 |                              | Total         | Parent                |                              | Total         |
|---|-----------------------|------------------------------|---------------|-----------------------|------------------------------|---------------|
|   | Loans and receivables | Derivatives used for hedging |               | Loans and receivables | Derivatives used for hedging |               |
|   | \$000                 | \$000                        | \$000         | \$000                 | \$000                        | \$000         |
| <b>30 June 2009</b>                     |                       |                              |               |                       |                              |               |
| <b>Assets as per balance sheet</b>      |                       |                              |               |                       |                              |               |
| Cash and cash equivalents               | -                     | -                            | -             | 86                    | -                            | 86            |
| Trade and other receivables             | 2,500                 | -                            | 2,500         | -                     | -                            | -             |
| Amount due to subsidiaries              | -                     | -                            | -             | 12,246                | -                            | 12,246        |
| <b>Total</b>                            | <u>2,500</u>          | <u>-</u>                     | <u>2,500</u>  | <u>12,332</u>         | <u>-</u>                     | <u>12,332</u> |
|   |                       |                              |               |                       |                              |               |
|   | Loans and receivables | Derivatives used for hedging | Total         | Loans and receivables | Derivatives used for hedging | Total         |
|   | \$000                 | \$000                        | \$000         | \$000                 | \$000                        | \$000         |
| <b>Liabilities as per balance sheet</b> |                       |                              |               |                       |                              |               |
| Bank Overdraft                          | 364                   | -                            | 364           | -                     | -                            | -             |
| Borrowings                              | 6,734                 | -                            | 6,734         | 662                   | -                            | 662           |
| Derivative financial instruments        | -                     | 53                           | 53            | -                     | -                            | -             |
| Trade Payables                          | 3,213                 | -                            | 3,213         | 142                   | -                            | 142           |
| <b>Total</b>                            | <u>10,311</u>         | <u>53</u>                    | <u>10,364</u> | <u>804</u>            | <u>-</u>                     | <u>804</u>    |
|   |                       |                              |               |                       |                              |               |
|   | Loans and receivables | Derivatives used for hedging | Total         | Loans and receivables | Derivatives used for hedging | Total         |
|   | \$000                 | \$000                        | \$000         | \$000                 | \$000                        | \$000         |
| <b>30 June 2008</b>                     |                       |                              |               |                       |                              |               |
| <b>Assets as per balance sheet</b>      |                       |                              |               |                       |                              |               |
| Cash and cash equivalents               | 328                   | -                            | 328           | 133                   | -                            | 133           |
| Trade and other receivables             | 2,540                 | -                            | 2,540         | -                     | -                            | -             |
| Amount due to subsidiaries              | -                     | -                            | -             | 12,246                | -                            | 12,246        |
| Derivative financial instruments        | -                     | 47                           | 47            | -                     | -                            | -             |
| <b>Total</b>                            | <u>2,868</u>          | <u>47</u>                    | <u>2,915</u>  | <u>12,379</u>         | <u>-</u>                     | <u>12,379</u> |

|   | Other<br>Financial<br>Liabilities<br>\$000 | Total<br>\$000 | Other<br>Financial<br>Liabilities<br>\$000 | Total<br>\$000 |
|---|--|----------------|--|----------------|
| <b>Liabilities as per balance sheet</b> |  |                |  |                |
| Borrowings                              | 4,963                                      | 4,963          | 662  | 662            |
| Trade Payables                          | 3,799                                      | 3,799          | 13   | 13             |
| <b>Total</b>                            | <u>8,762</u>                               | <u>8,762</u>   | <u>675</u>                                 | <u>675</u>     |

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

| Current                                     | Consolidated              |                                |                           |                                |
|---|---------------------------|--------------------------------|---------------------------|--------------------------------|
|   | 2009<br>NZ\$000<br>Assets | 2009<br>NZ\$000<br>Liabilities | 2008<br>NZ\$000<br>Assets | 2008<br>NZ\$000<br>Liabilities |
| Foreign currency forward exchange contracts | -                         | 53                             | 47                        | -                              |

Refer to Note 1 (o) for information on the calculation of fair values.

### Notional principal amounts of forward exchange contracts outstanding were as follows:

|   |     |     |
|---|-----|-----|
| Purchase commitments forward exchange contracts | 771 | 396 |
|---|-----|-----|

### Foreign currency principal amounts of purchase commitments forward exchange contracts purchased were as follows:

|                       |     |     |
|-----------------------|-----|-----|
| Australian Dollars    | -   | 325 |
| United States Dollars | 500 | -   |

The Parent, Charlie's Group Limited, has no derivative financial instruments.

### Credit Risk

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support derivative financial instruments.

## 21. SHARE CAPITAL

|                         | No of shares          |                       | Share Capital         |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| Opening ordinary shares | 290,165               | 287,165               | 15,580                | 15,280                |
| Shares issued           | -                     | 3,000                 | -                     | 300                   |
| Balance at end of year  | <u>290,165</u>        | <u>290,165</u>        | <u>15,580</u>         | <u>15,580</u>         |

| Parent                  | No of shares          |                       | Share Capital         |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| Opening ordinary shares | 290,165               | 287,165               | 37,242                | 36,942                |
| Shares issued           | -                     | 3,000                 | -                     | 300                   |
| Balance at end of year  | <u>290,165</u>        | <u>290,165</u>        | <u>37,242</u>         | <u>37,242</u>         |

### Share issue details and rights

#### Ordinary shares

All ordinary shares on issue are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights.

#### Shares issued

No shares were issued during the year ended 30 June 2009 (2008: 3,000,000).

#### Reverse acquisition

The acquisition of Charlie's Trading Company Limited by Spectrum Resources Limited on 15 July 2005 was treated as a reverse acquisition for reporting purposes. This has the effect of treating Charlie's Trading Company Limited as the acquirer of Spectrum Resources Limited, as it recognises that the shareholders of Charlie's Trading Group Limited retained the controlling interest. Because Charlie's Trading Company Limited has been treated as the acquirer, the consolidation does not include any goodwill in relation to Charlie's Trading Company Limited, instead included within intangible assets in the balance sheet is goodwill relating to Charlie's Group Limited (formerly Spectrum Resources Limited). Further details of goodwill are detailed in Note 14.

## 22. RESERVES

|                                       | Group                 |                       | Parent                |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                       | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| <b>Reserves</b>                       |                       |                       |                       |                       |
| Accumulated losses                    | (2,683)               | (903)                 | (12,652)              | (12,239)              |
| Cash flow hedge reserve               | (53)                  | 47                    | -                     | -                     |
| Share options reserve                 | 561                   | 596                   | 561                   | 596                   |
| <b>Accumulated losses</b>             |                       |                       |                       |                       |
| Balance at the beginning of the year  | (903)                 | (478)                 | (12,329)              | (11,848)              |
| Loss after taxation                   | (1,815)               | (425)                 | (358)                 | (481)                 |
| Lapsed share options                  | 35                    | -                     | 35                    | -                     |
| Balance at the end of the year        | (2,683)               | (903)                 | (12,652)              | (12,329)              |
| <b>Cash flow hedge reserve</b>        |                       |                       |                       |                       |
| Balance at the beginning of the year  | 47                    | -                     | -                     | -                     |
| Revaluation                           | (100)                 | 47                    | -                     | -                     |
| Balance at the end of the year        | (53)                  | 47                    | -                     | -                     |
| <b>Share options reserve</b>          |                       |                       |                       |                       |
| Balance at the beginning of the year  | 596                   | 385                   | 596                   | 385                   |
| Employee expense for the year         | (35)                  | 211                   | (35)                  | 211                   |
| <b>Balance at the end of the year</b> | <b>561</b>            | <b>596</b>            | <b>561</b>            | <b>596</b>            |

## 23. EXECUTIVE SHARE OPTIONS

On settlement of the reverse-listing the Company granted certain share options to directors and certain senior staff. Under the scheme the Company authorised for issue 12,100,000 options and granted 8,000,000 on settlement of the reserve acquisition under the following terms:

- One option entitles the holder to purchase one fully paid ordinary share.
- An exercise price will apply for option holders wishing to exercise their director and senior staff options. The exercise price is 10 cents (subject to adjustment under the NZX Listing Rules).
- Options can only be exercised within an exercise period commencing on 13 July 2005 and ending on 13 July 2009 ('exercise period').
- The options will lapse if they are not exercised by the end of the exercise period.
- The options are not transferable except to an associated person to hold on behalf of the director or senior staff member, or to accept a takeover offer made under the Takeovers Code.
- Payment must be made in full on the date the options are exercised.

2,400,000 options were granted on 31 October 2007. 1,700,000 options have yet to be granted.

These options were valued using the Black-Scholes valuation model (refer Note 1(w)).

The following inputs were used to measure the fair value of option granted:

- Expected volatility was 40% per annum
- No dividends were expected
- Risk-free rate used was 7.2%

In addition 9,189,290 share options were issued to the CEO in a phantom share scheme in the year ended 30 June 2007 and the expense was recognised in this period. These were approved by shareholders at the annual meeting of shareholders on 20 November 2007. These options have the following terms:

- One option entitles the holder to purchase one fully paid ordinary share.
- The exercise price is 20 cents (subject to adjustment under the NZX Listing Rules).

- Options can only be exercised within an exercise period commencing on approval date and ending on 20 November 2010 ('exercise period').
- The options will lapse if they are not exercised by the end of the exercise period.
- The options are not transferable except to an associated person to hold on behalf of the director or senior staff member, or to accept a takeover offer made under the Takeovers Code.
- Payment must be made in full on the date the options are exercised.

These options were valued using the Black-Scholes valuation model (refer Note 1(w)).

The following inputs were used to measure the fair value of option granted:

- Expected volatility was 40% per annum
- No dividends were expected
- Risk-free rate used was 7.4%

There have been no options issued during the year ended 30 June 2009. Therefore no compensatory expense has been recognised in this year (2008: \$211,200).

No options have been exercised during the year (2008: 3,000,000). 400,000 options have lapsed during the year (2008: nil).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

|                                     | Notes | Year ended 30 June 2009                      |                | Year ended 30 June 2008                      |                |
|-------------------------------------|-------|--|----------------|--|----------------|
|                                     |       | Average<br>exercise<br>price<br>\$ per share | Options<br>000 | Average<br>exercise<br>price<br>\$ per share | Options<br>000 |
| <b>Balance at beginning of year</b> |       | <b>0.15</b>                                  | <b>16,589</b>  | 0.15   | 17,189         |
| Issued                              |       | -  | -              | 0.10   | 2,400          |
| Forfeited                           |       | -  | -              | -  | -              |
| Exercised                           |       | -  | -              | 0.10   | (3,000)        |
| Lapsed                              |       | <b>0.10</b>                                  | <b>(400)</b>   | -  | -              |
| Balance at end of year              |       | <b>0.16</b>                                  | <b>16,189</b>  | 0.15   | 16,589         |

Of the 16,189,290 outstanding options, all are currently exercisable (2008: 16,589,290).

Share options outstanding at the end of the year have the following, exercise dates and exercise prices:

| Expiry Date                            | Exercise price | 30 June 2009<br>000 | 30 June 2008<br>000 |
|--|----------------|---------------------|---------------------|
| 13 July 2009                           | \$0.10         | 7,000               | 7,400               |
| 20 November 2010                       | \$0.20         | 9,189               | 9,189               |
| <b>Total share options outstanding</b> |                | <b>16,189</b>       | 16,589              |

### Share Options Reserve

|   | Group                 |                       | Parent                |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 | 30 June 2009<br>\$000 | 30 June 2008<br>\$000 |
| <b>Balance at beginning of year</b>                           | <b>596</b>            | 385                   | <b>596</b>            | 385                   |
| Current year charge   | -                     | 211                   | -                     | 211                   |
| Options forfeited and lapsed transferred to retained earnings | (35)                  | -                     | (35)                  | -                     |
| <b>Balance at end of year</b>                                 | <b>561</b>            | 596                   | <b>561</b>            | 596                   |

## 24. RELATED PARTY TRANSACTIONS

### (a) Between the Parent & subsidiaries

During the year the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All related party transactions between the Parent & its subsidiaries were conducted on an arm's length basis and provided on commercial terms with the exception of the non interest bearing loans.

These related party transactions are part of the ordinary on-going business operations of the Group. No related party debts between the Parent & its subsidiaries were written off or forgiven during the year and no doubtful debt expense has been recognised in relation to any related party balances (2008: nil).

Material transactions between the Company and its subsidiaries were:

- Management fees charged by Charlie's Group Limited to Charlie's Trading Company Limited were \$25,000 (2008: \$50,000). There are no specified payment terms associated with this charge.
- Management fees charged by Charlie's Group Limited to Charlie's Group Australia Pty Limited were \$25,000 (2008: nil). There are no specified payment terms associated with this charge.

Material amounts outstanding between the Company and its subsidiaries at 30 June 2009 were:

- Loan from Charlie's Group Limited to Charlie's Trading Company Limited of \$13,488,921 (2008: \$13,757,272). This loan is non-interest bearing and there are no specified repayment terms.

### (b) Between the Group and key management personnel of the entity and other related parties

In addition the Group and Parent undertook transactions with Directors and their related interests as detailed below. All related party transactions between the Company and its Directors were conducted on an arm's length basis and provided on commercial terms. No guarantees have been given or received in respect of these transactions. These transactions bear no interest. These related party transactions are part of the ordinary on-going business operations of the Group. No related party debts between the Company and its majority shareholder and Directors were written off or forgiven during the year and no doubtful debt expense has been recognised in relation to any related party balances (2008: nil).

Information on transactions with key management personnel or entities related to them:

- During the year the company sold beverages to key management personnel on the same terms and conditions as available to staff. There were no balances outstanding at year end.
- A Director, Tim Cook, is a director of Cook Executive Recruitment Limited, a company which provides recruitment services to Charlie's Group Limited. The services were provided on normal terms and conditions. There were no balances outstanding at year end.
- A Director, Mark Darrow, is a director and shareholder of Juicinator Limited, a company through which this Director charges his Directors Fees in respect of Charlie's Group Limited. These services were provided on normal terms and conditions. (refer table below)
- A Director, Marc Ellis, is a director and shareholder of MCG Marketing Limited, a company that provides marketing services to Charlie's Group Limited and through which this Director charges his Directors Fees in respect of Charlie's Group Limited. These services were provided on normal terms and conditions. (refer table below)
- A Director, Eduart Van Arkel, is a director and shareholder of Van Arkel & Co Limited, a company through which this Director charges his Directors Fees in respect of Charlie's Group Limited. These services were provided on normal terms and conditions. (refer table below)
- A Director, Tim Cook, is a director of Collins Asset Management Limited, a company with a majority shareholding in Charlie's Group Limited, which has provided a guarantee of \$5,300,000 in respect of Charlie's Group Limited facilities with ANZ (2008: \$2,300,000) via a related entity, Cottisloe Holdings Limited.

The tables below show the transactions with other related parties during the year and with key management personnel.

| Transactions with related parties during the year | Group                               |                                     | Parent                              |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 |
| <b>Purchase of services from:</b>                 |                                     |                                     |                                     |                                     |
| Cook Executive Recruitment Limited                | 9                                   | 5                                   | -                                   | -                                   |
| Gower Management Group Limited                    | -                                   | 17                                  | -                                   | -                                   |
| MCG Marketing Limited                             | 50                                  | 113                                 | -                                   | -                                   |
| <b>Balances outstanding at year end</b>           |                                     |                                     |                                     |                                     |
| <b>Owing to Parent Company</b>                    |                                     |                                     |                                     |                                     |
| Charlie's Trading Company Limited                 | -                                   | -                                   | 13,489                              | 13,757                              |

The following Directors received directors' fees in relation to their personally held shares as detailed below:

|                                | Group and Parent<br>30 June 2009 |                    | Group and Parent<br>30 June 2008 |                    |
|--------------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
|                                | Directors' fees<br>\$000         | Dividends<br>\$000 | Directors fees<br>\$000          | Dividends<br>\$000 |
| <b>Executive Director</b>      |                                  |                    |                                  |                    |
| Stefan Lepionka                | -                                | -                  | -                                | -                  |
| <b>Non Executive Directors</b> |                                  |                    |                                  |                    |
| Ted Van Arkel                  | 55                               | -                  | 55                               | -                  |
| Tim Cook                       | -                                | -                  | -                                | -                  |
| Mark Darrow                    | 30                               | -                  | 30                               | -                  |
| Marc Ellis                     | 30                               | -                  | 30                               | -                  |
| <b>Total</b>                   | <b>115</b>                       | <b>-</b>           | <b>115</b>                       | <b>-</b>           |

No share options have been exercised by directors during the year. (2008: \$2,000,000)

Key management compensation was as follows:

|   | Group                               |                                     | Parent                              |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 | Year ended<br>30 June 2009<br>\$000 | Year ended<br>30 June 2008<br>\$000 |
| Salaries and other short term employee benefits | 1,130                               | 1,036                               | -                                   | -                                   |
| Share options benefit                           | -                                   | 211                                 | -                                   | 211                                 |
| <b>Total benefits</b>                           | <b>1,130</b>                        | <b>1,247</b>                        | <b>-</b>                            | <b>211</b>                          |

There were no long service leave expenses incurred in relation to key management personal during the year (2008: nil).

### (c) Entities with significant influence

Collins Asset Management, a company with a majority shareholding in Charlie's Group Limited have provided a guarantee of \$5,300,000 in respect of Charlie's Group Limited facilities with ANZ (2008: \$2,300,000) via a related entity, Cottisloe Holdings Limited. \$3,800,000 of this guarantee relates specifically to an additional temporary facility with ANZ, the details of which are disclosed in Note 18. This is a standard guarantee.

## 25. CAPITAL EXPENDITURE COMMITMENTS

At 30 June 2009, there were no capital commitments for the Parent or Group at year end (2008:nil).

## 26. OPERATING LEASE RENTAL COMMITMENTS

|   | <b>Group</b>        |              |
|---|---------------------|--------------|
|   | <b>30 June 2009</b> | 30 June 2008 |
|   | <b>\$000</b>        | \$000        |
| Lease commitments expire as follows:            |                     |              |
| Within one year                                 | <b>1,648</b>        | 310          |
| One to five years                               | <b>2,005</b>        | 432          |
| Beyond five years                               | <b>630</b>          | 9            |
| <b>Total operating lease rental commitments</b> | <b>4,283</b>        | 751          |

The Group leases buildings and equipment under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

The Parent has no operating leases.

## 27. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2009 (2008: Nil).

## 28. EVENTS AFTER BALANCE DATE

On 13 July 2009 Directors and Key Management personnel exercised 3,700,000 options at an exercise price of 10 cents. A further 3,300,000 allocated options and 2,100,000 unallocated options expired on this date. The only options that remain outstanding are 9,189,290 options that were issued to Stefan Lepionka on 20 November 2007, which have an exercise price of 20 cents and an expiry date of 20 November 2010.

On the 21 August 2009 Charlie's Group Limited signed an unconditional agreement to sell its property located at 87 Henderson Valley Road, Waitakere City. The sale price is \$2,500,000 payable in cash. Settlement is due to occur on 30 October 2009. Charlie's Group Limited will lease this property back from the purchaser from settlement for an initial period of eight years on normal commercial terms. The net proceeds from this sale will be used to retire a material proportion of the outstanding ANZ facility.

On 28 August 2009 ANZ extended Charlie's Group Limited's existing banking facility until 30 August 2010. Existing financial covenants testing will commence after the quarter ended 30 June 2010 and are suspended until that time. A new financial covenant requiring a negative variance to budget in Group Gross Profit and Group Earnings before interest tax, depreciation, and amortisation (EBITDA) of less than 40% has been introduced. These will be tested on a quarterly basis from 30 September 2009 for the Group Gross Profit covenant and 31 December 2009 for Group EBITDA covenant. Repayments of \$500,000 are required at 31 March 2010 and 30 June 2010. The Directors consider that these covenants and repayments will be readily achievable based on the year to date positive performance in comparison to budget. The facility requires a replacement of guarantee from Cottisloe Holdings Limited to 30 November 2010 by 15 October 2009. Cottisloe Holdings have indicated that they intend to provide this guarantee.

# Statutory Information

## FOR THE YEAR ENDED 30 JUNE 2009

*This section sets out the information required by section 211 of the Companies Act 1993, the Securities Markets Act 1998, and the NZSX Listing Rules which is not set out elsewhere in this Annual Report.*

### Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at the 10 September 2009 were:

| Holder   | Ordinary Shares | %      |
|--|-----------------|--------|
| Collins Asset Management Limited   | 57,145,845      | 19.45% |
| Stefan John Lepionka + Nigel Warren Hughes   | 48,223,000      | 16.41% |
| Marc Christopher Gwynne Ellis + Christopher Hugh Trelawney Ellis + Stephen Underwood | 47,223,000      | 16.07% |
| Simon Paul Angus Neal + Paul Edgar Neal  | 13,917,500      | 4.52%  |
| Shelf Company 1966 Limited   | 8,903,918       | 3.03%  |
| Ambrosia Trustees Limited  | 7,315,651       | 2.49%  |
| Apad Limited   | 5,877,500       | 2.00%  |
| Custodial Services Limited   | 4,579,024       | 1.56%  |
| Matthew Joseph Harte   | 3,903,454       | 1.33%  |
| James Ian Urquhart   | 2,400,000       | 0.82%  |
| Accident Compensation Corporation - NZCSD  | 2,183,950       | 0.74%  |
| Eduard Koert Van Arkel   | 2,000,000       | 0.68%  |
| Camscot Farms Limited  | 1,824,158       | 0.62%  |
| Timothy John Cook  | 1,597,833       | 0.54%  |
| Emerald Group Holdings Limited   | 1,000,000       | 0.34%  |
| David Charles Luke Hazlett   | 1,000,000       | 0.34%  |
| Wayne Brent Roberts  | 984,917         | 0.34%  |
| Paul Stuart McLaren  | 900,000         | 0.31%  |
| Philip Martin Bish   | 887,000         | 0.30%  |
| Bruce Howden Blake   | 800,000         | 0.27%  |

### Spread of Security Holders

The spread of shareholdings as at 10 September 2009 was as follows:

| Size of Holdings   | Number of Holdings | %              | Shares Held        | %              |
|--------------------|--------------------|----------------|--------------------|----------------|
| 1,000 - 1,999      | 6                  | 0.23%          | 8,557              | 0.00%          |
| 2,000 - 4,999      | 473                | 18.01%         | 1,425,936          | 0.49%          |
| 5,000 - 9,999      | 532                | 20.26%         | 3,402,716          | 1.16%          |
| 10,000 - 49,999    | 1217               | 46.34%         | 24,460,563         | 8.32%          |
| 50,000 - 99,999    | 176                | 6.70%          | 10,883,656         | 3.70%          |
| 100,000 - 499,999  | 185                | 7.04%          | 30,237,162         | 10.29%         |
| 500,000 - 999,999  | 21                 | 0.80%          | 13,939,415         | 4.74%          |
| 1,000,000 and over | 16                 | 0.61%          | 209,507,319        | 71.29%         |
|                    | <u>2,626</u>       | <u>100.00%</u> | <u>293,865,324</u> | <u>100.00%</u> |

### Equity Securities of the Company

On 30 June 2009 the Company had 290,165,324 ordinary shares on issue and 16,589,290 options to subscribe for ordinary shares on issue. On 13 July 2009, 3,700,000 options were exercised (resulting in the issue of 3,700,000 shares) and 3,700,000 options lapsed.

Accordingly, as at 10 September 2009 there are 293,865,324 ordinary shares (being the only voting securities) on issue and 9,189,290 options on issue (all being held by the CEO, Stefan Lepionka).

As at 30 June 2009 and 10 September 2009, the Company had no Equity Securities (in terms of the NZSX Listing Rules) on issue, other than ordinary shares and options to subscribe for ordinary shares.

### Substantial Security Holders

Pursuant to section 26 of the Securities Markets Act 1988, the substantial security holders as at 10 September 2009 were as follows:

|   | Ordinary Shares | Percentage |
|---|-----------------|------------|
| Collins Asset Management Limited        | 57,145,845      | 19.45%     |
| S J Lepionka + N W Hughes               | 48,223,000      | 16.41%     |
| M C G Ellis + C H T Ellis + S Underwood | 47,223,000      | 16.07%     |

Directors' holdings of Equity Securities at balance date

The number of Equity Securities (in terms of the NZSX Listing Rules) in which Directors had a relevant interest as at balance date of 30 June 2009 were as follows:

|                | Ordinary shares | Unlisted options |
|----------------|-----------------|------------------|
| Marc Ellis     | 47,223,000      | 1,000,000        |
| Stefan Leionka | 47,223,000      | 10,189,290       |
| Ted Van Arkel  | 1,000,000       | 1,000,000        |
| Mark Darrow    | 410,800         | -                |
| Tim Cook       | 287,000         | -                |

Tim Cook is a director of Collins Asset Management Limited. Collins Asset Management Limited held 57,145,845 ordinary shares at 10 September 2009 (30 June 2008: 57,145,845).

### Share Dealings by Directors

During the year ended 30 June 2009 no Directors or former Directors acquired a relevant interest in the Company's ordinary shares or options to subscribe for ordinary shares.

### Directors of Group Companies

| Company                                 | Directors                                |                 |                                       |            |             |
|---|--|-----------------|---------------------------------------|------------|-------------|
| Charlie's Group Limited                 | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              | Marc Ellis | Mark Darrow |
| Charlie's Trading Company Limited       | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              |            |             |
| Phoenix Organics Limited                | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              |            |             |
| Phoenix Organics Properties Limited     | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              |            |             |
| Phoenix Organics Australia Limited      | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              |            |             |
| Charlie's Group (Australia) Pty Limited | Ted Van Arkel                            | Stefan Lepionka | Tim Cook                              | Marc Ellis | Mark Darrow |
|   | Bradley Gallard (resigned 16 April 2009) |                 | Gavin Clifford (appointed 1 May 2009) |            |             |

### Changes to Directorships

There have been no changes to the Directors of the Company or any company in the Group in the year ended 30 June 2009, except that Bradley Gallard resigned as a Director of Charlie's Group (Australia) Pty Limited.

On 16 April 2009 and Gavin Clifford was appointed as a Director of Charlie's Group (Australia) Pty Limited on 01 May 2009.

## Directors' Remuneration

Remuneration paid or payable and other benefits provided to Directors or former Directors of the Company during the year ending 30 June 2009.

| Company Directors | Directors Fees<br>\$000s | Salary<br>\$000s | Total<br>\$ |
|-------------------|--------------------------|------------------|-------------|
| Stefan Lepionka   | -                        | 315              | 315         |
| Ted Van Arkel     | 55                       | -                | 55          |
| Tim Cook          | -                        | -                | -           |
| Mark Darrow       | 30                       | -                | 30          |
| Marc Ellis        | 30                       | -                | 30          |

Remuneration paid or payable and other benefits provided to Directors and former Director of Charlie's Group (Australia) Pty Limited ("CGA") in the year ended 30 June 2009.

| CGA Directors                            | Directors Fees<br>\$AUD000s | Consulting Fees<br>\$AUD000s | Total<br>\$AUD000s |
|--|-----------------------------|------------------------------|--------------------|
| Bradley Gallard (resigned 16 April 2009) | -                           | 51                           | 51                 |
| Gavin Clifford (appointed 01 May 2009)   | 3                           | -                            | 3                  |

### Entries Recorded in the Interests Register

The following specific disclosures of interest have been made by Directors in terms of section 140(1) of the Companies Act 1993 in the year ended 30 June 2009.

Marc Ellis declared himself an interested party in a marketing fee charged by MCG Marketing Ltd (\$50,000 in the year ended 30 June 09)

Tim Cook declared himself an interested party in fees for recruitment services charged by Cook Executive Recruitment Limited (\$9,000 in the year ended 30 June 09) and in a guarantee of the Group's ANZ bank facility by Cottisloe Holdings Limited (a related company of Collins Asset Management Limited) (\$5.3million).

The following general disclosures of interest have been made by Directors in terms of section 140(2) of the Companies Act 1993:

| Director        | Entity                       | Interest                      |
|-----------------|------------------------------|-------------------------------|
| Marc Ellis      | MCG Marketing Limited        | Director & Shareholder        |
|                 | Chico Productions Limited    | Director & Shareholder        |
| Mark Darrow     | Tudor Park Farm Limited      | Director & Shareholder        |
|                 | Juicenator Limited           | Director & Shareholder        |
|                 | PGG Wrightson                | Director - Financial Services |
|                 | MITO                         | Independent Director          |
| Stefan Lepionka | Masefield Ave Properties Ltd | Director & Shareholder        |

|  |   |                        |
|--|---|------------------------|
| Ted Van Arkel                            | Restaurant Brands Limited               | Chairman & shareholder |
|  | Allied Work Force Group Limited         | Director & shareholder |
|  | Lockwood Group Ltd                      | Director               |
|  | Danske Mobler Ltd                       | Director               |
|  | Auckland Chamber of Commerce            | Director               |
|  | Unitec NZ                               | Chairman               |
|  | Lang Properties Ltd                     | Director & shareholder |
|  | Van Arkel & Co Ltd                      | Director & shareholder |
|  | PaperPlus                               | Director               |
| Tim Cook                                 | Youth Town                              | President              |
|  | Postie Plus Group Ltd                   | Director               |
|  | Cook Executive Recruitment Limited      | Director               |
|  | Collins Asset Management Limited        | Director               |
|  | Cottisloe Holdings Limited              | Director               |
|  | Freo Investments                        | Director               |
|  | Safer Sleep Limited                     | Chairman               |
|  | Northeross Holdings Limited             | Director               |
|  | Collins Asset Management Technology     | Director               |
|  | Cabco Group Limited                     | Director               |
|  | Auckland Heart Group                    | Director               |
|  | Childcare NZ Limited                    | Director               |
|  | Dunharrow Holdings Limited              | Director               |
|  | Healthcare Limited                      | Director               |
|  | Apollo Park Limited                     | Director               |
|  | Village Trust                           | Trustee                |
|  | Shakespeare Trust                       | Trustee                |
|  | Dalkeith Trust                          | Trustee                |
|  | Collins Asset Management Equity Limited | Director               |
|  | Collins Equity Investments Limited      | Director               |
|  | Collins Investment Holdings Limited     | Director               |
|  | KDB Chartered Accountants Limited       | Shareholder            |
|  | KDB Financial Services Limited          | Shareholder            |
| The Beverly Trust                        | Trustee                                 |                        |
| Collins Asset Management Investments Ltd | Director                                |                        |
| Team MacMillian BMW Ltd                  | Director                                |                        |
| Team Mini Ltd                            | Director                                |                        |
| Brand IT Group Ltd                       | Director                                |                        |
| Mintshot Limited                         | Director                                |                        |
| The Heart Institute                      | Director                                |                        |
| Safer Sleep Holdings (NZ) Ltd            | Chairman                                |                        |
| Safer Sleep Holdings (USA) Ltd           | Chairman                                |                        |
| Cook Executive Contracting Limited       | Director                                |                        |

## Employee Remuneration

During the year ended 30 June 2009 the following number of employees (not being Directors of the Company) received remuneration of at least \$100,000

|                       |   |
|-----------------------|---|
| \$100,000 - \$109,999 | 3 |
| \$170,000 - \$179,999 | 1 |
| \$180,000 - \$189,999 | 2 |
| \$300,000 - \$319,999 | 1 |

All of the above employees are engaged by Charlie's Trading Company Limited, a wholly owned subsidiary of the Company. No other company in the Group has engaged employees which received remuneration in excess of \$100,000 in the year ended 30 June 2009.

## Donations

No company in the Group made any donations in the year ended 30 June 2009.

## NZX Waivers

The Company has not relied on any waivers from the NZSX Listing Rules in the year ended 30 June 2009.

# Directory

This annual report is dated as at 22 September 2009 and is signed on behalf of the board by:



E K van Arkel



S J Lepionka

|                           |  |
|---------------------------|--|
| <b>Directors:</b>         | E van Arkel (Chairman)<br>S Lepionka<br>T Cook<br>M Ellis<br>M Darrow  |
| <b>Company Secretary:</b> | A Roberts  |
| <b>Registered Office:</b> | 87 Henderson Valley Rd<br>Waitakere City<br>New Zealand  |
| <b>Postal Address:</b>    | PO Box 12 1100<br>Henderson<br>New Zealand   |
| <b>Telephone:</b>         | (09) 837 6740  |
| <b>Facsimile:</b>         | (09) 8376759   |
| <b>Share Registrar:</b>   | Computershare Investor<br>Services Limited<br>159 Hurstmere Road<br>Takapuna<br>Auckland<br>New Zealand  |
|                           | Telephone: (09) 488 8700<br>Facsimile: (09) 488 8787   |
| <b>Lawyer:</b>            | Harmos Horton Lusk   |
| <b>Auditor:</b>           | PricewaterhouseCoopers<br>188 Quay Street<br>Auckland<br>New Zealand   |
| <b>Websites:</b>          | <a href="http://www.charliesgroup.co.nz">www.charliesgroup.co.nz</a><br><a href="http://www.charlies.co.nz">www.charlies.co.nz</a><br><a href="http://www.phoenixorganics.co.nz">www.phoenixorganics.co.nz</a> |
| <b>Stock Exchange:</b>    | The Company's ordinary shares trade on the New Zealand Exchange (NZX). The minimum marketable parcel on the NZX is 2,000 shares.   |

For year ended 30 June 2009