THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

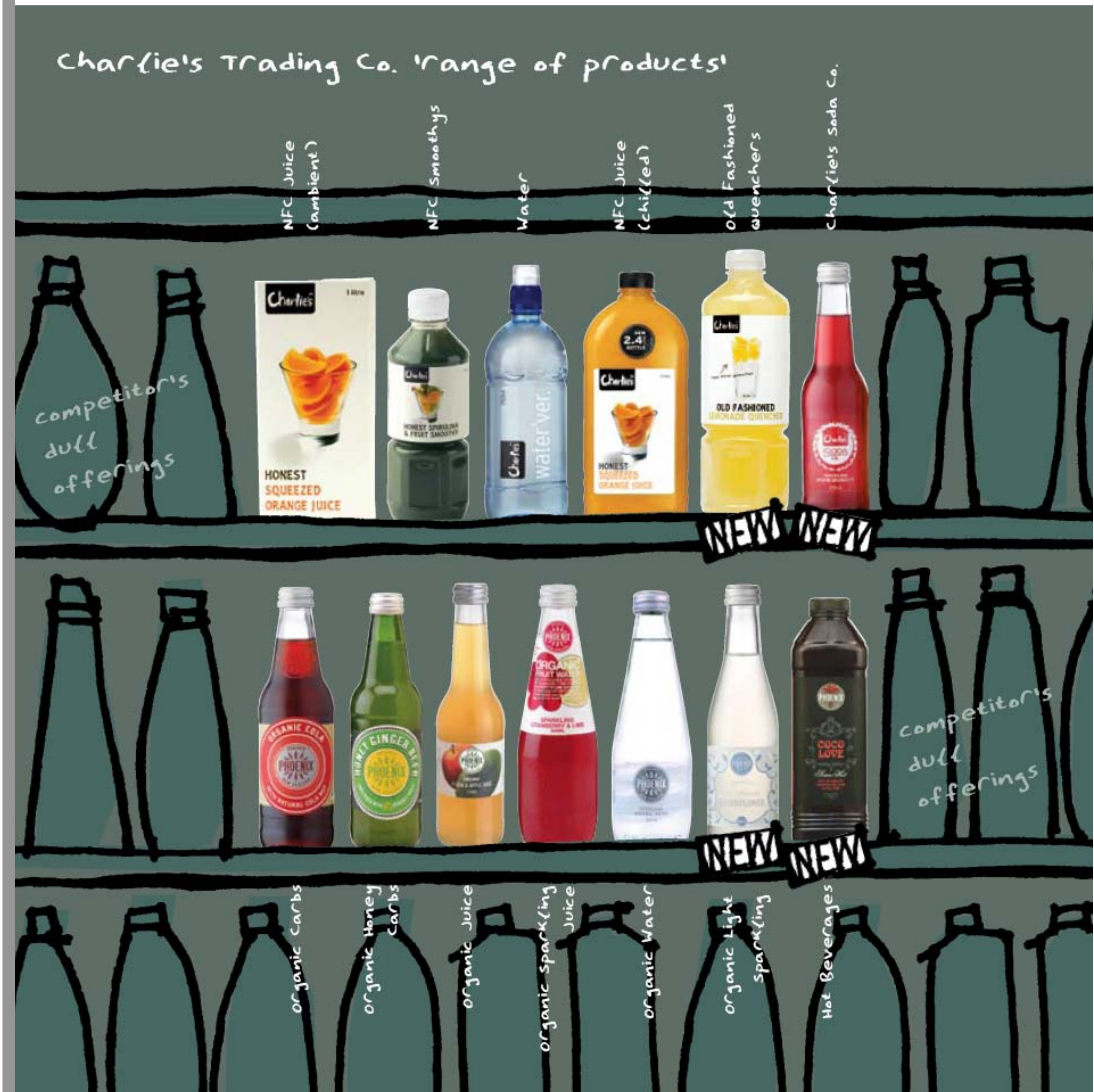
Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

CHAMPIONS TROPHY CASE COMPETITION 2008

CHARLIE'S GROUP

31st January 2008



Pictured: Charlie's and Phoenix Products
Source: Charlie's Group 2007 Annual Report

Case prepared by Mr. Sunny Gu, under the supervision of Mr. Brendon Potter, Director of Student Development, The University of Auckland Business School. This case has been prepared solely for the Champions Trophy Case Competition, and references a fictional consulting situation with no direct input from the case company. All data in this case has been obtained from publicly available sources. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

Charlie's™

John Jobs

From: John Jobs
Sent: Thursday, 31 January 2008 8:31
To: * Charlie's Project Teams
CC: David Dollar; Benjamin Banker; Peter Partner; Warren Wallstreet
Subject: Charlie's Group Strategy Presentation

An ex-All Black. In a bath tub. Surrounded by fruit. *Naked.*

With a marketing campaign like that, it's no wonder Charlie's has been able to achieve the highest level of brand awareness within the juice category. Let me introduce you to our next client.

Charlie's was started as a juice company by childhood friends Marc Ellis and Stefan Lepionka. Stefan had always been known to be a bit of an entrepreneur, starting his first business in his garage when he was 17. Marc, an ex-All Black and TV personality, was the funny man, who originally drove the marketing direction and naturally became the face of the company. When the two got together with Marc's school friend Simon Neal in 1999, Charlie's was born.

Charlie's was born with many of the characteristics of its founders. Through Marc, Charlie's established a unique down-to-earth brand and one which was very punchy with its marketing approach. Through Stefan, and his "investing for growth" strategy, a solid fundamental business model was established. The company's revenues quickly grew from less than $1 million in 2001 to over $8 million in 2005, the same year a "reverse acquisition" was successfully executed to list Charlie's on the New Zealand Stock Exchange. In 2007, Charlie's had revenues of just under $25 million. Marc and Stefan remain major shareholders, owning over 13% of Charlie's shares between them.

Charlie's initially entered the juice market in the "not from concentrate" segment. Over the ensuing years, Charlie's has developed many more products and gradually positioned itself in the premium soft drink industry. In 2006, Charlie's acquired Phoenix Organics, a similar operation that had a 20 year history. Today, the group commands a 9% share of the value of juices sold at supermarkets.

The business is young, but it has now shifted into a higher gear. The big players, such as Coca-Cola and Frucor, are taking notice of Charlie's. CEO Stefan has asked us for a review of Charlie's, including strategic recommendations, and how you believe they should navigate their way in this competitive market.

You will have ten minutes to present to Stefan and the board, which will be followed by a ten-minute question and answer session to clarify any issues. Our research team has put together some relevant information and I have attached it to this email.

Regards,

John Jobs,
Senior Vice President
SYG Consulting Group

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CHAMPIONS TROPHY CASE COMPETITION 2008

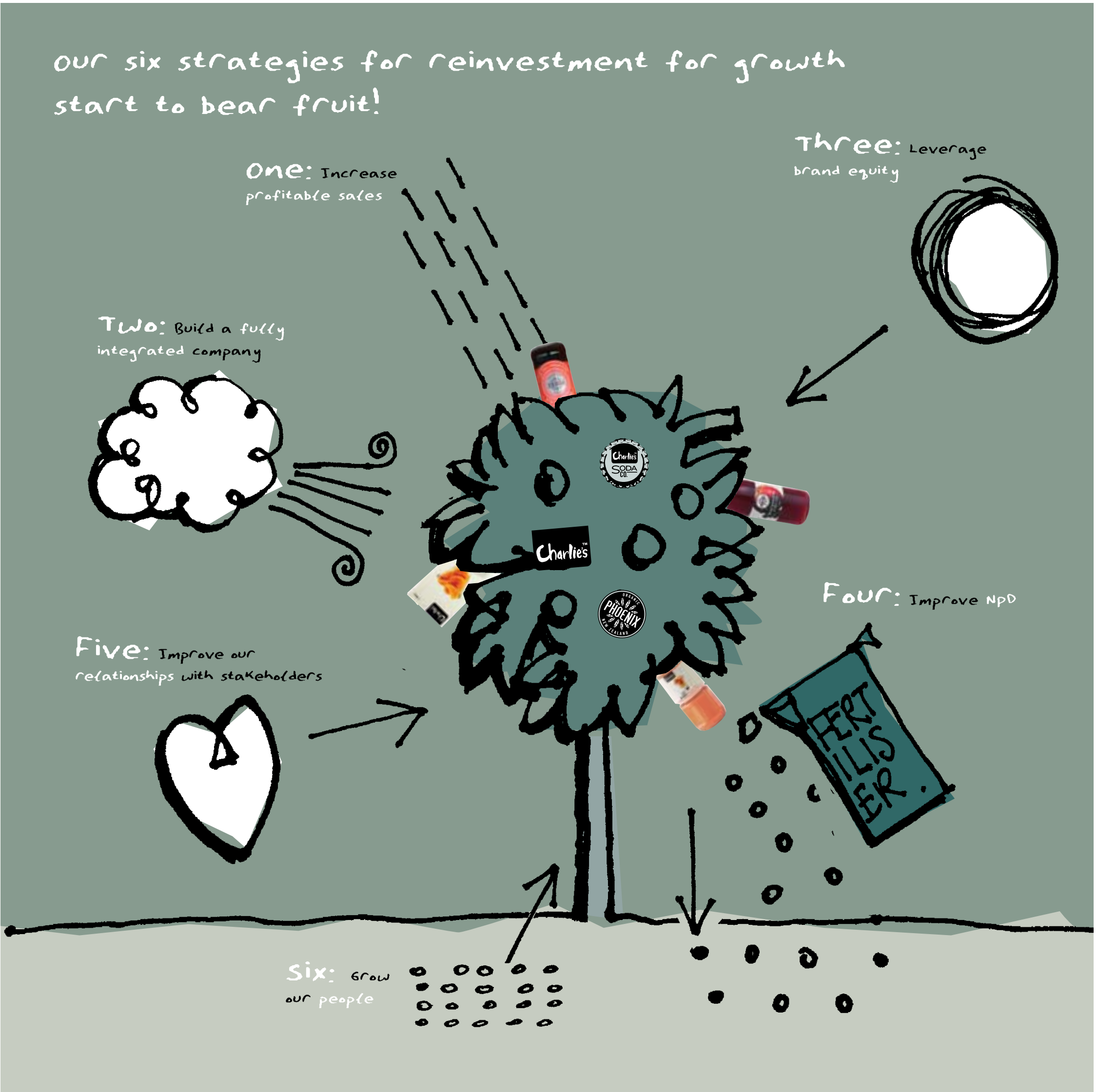
CHARLIE'S GROUP

2007 ANNUAL REPORT

Note: NZD$1 = USD$0.77 = AUD$0.88 as at December 2007

The following has been obtained from the Charlie's website.

Charlie's™



Chairman's Letter

It is with pleasure that I report that Charlie's Group Limited had an excellent year, delivering a maiden profit on the back of record gross Group sales.

This has been achieved through our total commitment to the "re-investment for growth" strategy that the Directors outlined to you at last November's annual meeting.

During the year we have identified six clear strategies that provide the foundations for future growth:

- Increase profitable sales
- Build a fully integrated company
- Leverage brand equity
- Improve new product development (NPD)
- Improve our relationships with stakeholders
- Grow our people

Charlie's is committed to investing heavily in its brands and strengthening the partnership with trade clients and customers. It will remain on the lookout for suitable companies to acquire. Group policy, however, is not to acquire companies for the sake of acquisition and we have reviewed a number of opportunities that have been presented to us. Suitable acquisitions must not only provide a long-term earnings stream but also offer a strategic advantage in the market and, most importantly, fit Charlie's Group direction.

In line with this strategy and since balance date the Group has entered an unconditional agreement to acquire the beverage manufacturing assets of the Australian Gallard and Mirage Groups ("Gallard") for A$681,230, with the expansion of the facilities and assets acquired taking the total cost to approximately A$2,000,000. The acquisition allows Charlie's to expand its juice processing and bottling in Australia, with long term security of fruit supply. The transaction should be completed in mid-to-late September, and the manufacturing plant be operational in the last quarter of the current financial year.

performance

Earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2007 were $921,000, an increase of 163% on the previous 12 months. It was earned on record gross sales of $26.8 million, 55.9% ahead of adjusted sales for the previous 12 months. Net profit after tax for the year ended 30 June 2007 was $33,000, compared to a loss of $161,000 in the previous 12 months.

The group is in a sound financial position with a strong balance sheet. Total assets are nearly $17 million, an increase of 2.1% ($357,000) on the previous year-end and there is no term debt. Trade receivables, trade creditors and inventory have increased from the prior period reflecting the increase in turnover.

The company currently has no debt. All investing activity to date has been funded through operating cash flow. However, the Group has a $AUD2million approved ANZ facility which will be used to fund the Gallard acquisition and expansion.

CEO's Review

A Great Year!

It is extremely pleasing to report record sales and earnings for the past year since Charlie's inception eight years ago.
This is the result of years of fine-tuning and believing in our strategy of creating premium brands.

Investing for growth

The beverage market in New Zealand is in a strong growth phase particularly in the premium sector, and Charlie's Group has distinguished itself by punching above its weight. Its principal brands are household names and research shows there is a strong correlation between the level of brand awareness and the premium quality of our products. Particularly heartening is the increase in the share of our brands in all key markets.

One of the critical areas to the Group's growth strategy has been increased investment and focus on marketing. The appointment of a new marketing manager in November 2006 has led to greater structure and expansion of the marketing team from one to four people. The foundations have now been laid and systems put in place to further capitalise on this investment.

Evidence of this has been the launch of new product offerings from Charlie's and Phoenix. Charlie's Old Fashioned Quenchers are the first Charlie's products to be manufactured at our Henderson plant and have exceeded targets since launch in April. Three new Hot Beverage offerings have been added to complement Phoenix Chai in May 2007. Early sell-in has been extremely positive and we have experienced an overall lift in demand and sales of the entire Phoenix range.

The inaugural Phoenix Fest in March 2007 signalled the company's intention to communicate this niche brand to a wider audience. The festival was a free celebration of all things Phoenix – organics, music, arts, fashion and food, and was such a success that we are now planning for Phoenix Fest 08.

Looking forward, our commitment to investment in marketing our brands will increase approx 3 fold from $1.0m in 2007 to $3.0m spend in 2008 as we take an even greater share of the beverage market.

One of our major initiatives will be the launch of "Charlie's Soda Co" a healthy soft drink for all ages. This product is a refreshing sparkling natural fruit soda and will be made at our Henderson plant in New Zealand. We will be launching five flavours, Pomegranate, Grapefruit, Clementine, Lemon and Cranberry. The launch will be supported heavily through TV and other media to make consumers aware of this great tasting healthy soft drink. Initial reaction to this product from our customers has been very positive and we look forward to the launch on 1st of October 2007.

Our recent post balance date acquisition in Australia reflects our wish to expand and invest in our supply and manufacturing close to the ingredients of Charlie's "Not from Concentrate" juice products. This also gives us the opportunity to launch this brand into our biggest export market, Australia, where sales were very strong for Phoenix Organics in 2006/07. We first announced this "reinvestment for growth" strategy last November. It continues to underpin everything that we do.

Strong sales

Charlie's Group's record gross sales for the year ended 30 June 2007 are especially pleasing.

Grocery channel

The Group's retail sales in supermarkets experienced growth well ahead of the market. In the chilled juice category, Charlie's retail sales revenue grew at 32.8% in comparison to growth in the chilled market of 5.6%. Charlie's and Phoenix Organics ambient juice retail sales revenue grew at 25% (excluding deletions), while the total ambient market only grew at 3.8%.

The grocery sales team performance has been the driver of success in this channel. A high performance sales team and new systems were put in place in September 2006 resulting in improved sales execution and visibility of our brands on the supermarket shelf. Phoenix Organics is sold in 13% more stores than a year ago and is moving into the mainstream beverage aisle in supermarkets, following international trends of organic products becoming more available to everyday consumers.

Route channel

Operating revenue in the route channel grew 17% from the previous 12 month period. This growth has been driven by increased distribution across the Group's product range as a result of the opening of new accounts and the Group's ability to offer a full premium beverage range to customers. Growth continues in fridge placements in the New Zealand market with an overall 47% increase to a total of 824 fridges placed in market.

A new route business development team was introduced in the last few months of the trading period. We expect to see significant growth in the route channel from this team through leveraging our product range to provide a total beverage solution to our customers. The focus for this team is to increase our distribution of products through developing new customers, further fridge placements, increasing range with existing customers and improved customer service and in-market execution.

Export channel

The export business continued another strong year of growth with an increase in operating revenue to $2.7 million compared with $2.25 million in the previous 12 months. Export markets included are Australia, Singapore, Malaysia, Hong Kong, South Korea, Dubai, Canada, Fiji, Cook Islands (Rarotonga), New Caledonia and Tahiti. New export opportunities and markets are being pursued continuously as part of the global strategy for our brands.

Growth of sales in Australia, the Group's main export market, increased 36% compared with the previous 12 months. The strong performance in Australia was primarily driven by increased business development activity, a growing customer base and range within the route channel. This included fridge placements in the route trade more than doubling (up 125%) to 205 fridges at year end.

Negotiations for the introduction of Charlie's and Phoenix Organics products to Japan are continuing. The Group has completed Japanese production trials for the Charlie's brand and is now reviewing options with its partner. The Japanese government and New Zealand organic certifier, Biogro have recently come to an agreement that will allow us to commence the process of certifying Phoenix Organics products to Japanese organic standards in order to supply that market.

The Group has made significant investment in the past 12 months in all areas to support and promote the Charlie's and Phoenix Organics brands, while launching new products to increase the Group's penetration in the overall beverage market.

The year's Highlights

Formation of experienced Senior Management Team

Acquisition of juice processing and bottling plant in Australia

Grocery sales up 33% for Charlie's and 25% for Phoenix

Route sales up 17%

Increased export revenue to $2.7million with Australian sales up 36%

New product launches of Charlie's quenchers, Phoenix Light Sparkling and Hot Beverage ranges

This is illustrated in the Group's staff headcount which has increased from 81 in July 2006 to 100 people in June 2007.

People are an important part of the Group's growth strategy. The formation of our senior management team is now complete. It consists of four key members heading up the Company's main areas of focus - Sales, Marketing, Operations and Finance. All four are highly skilled in their specialist area but also have the all round business experience to contribute to the future direction of the Company for years to come.

This investment in people ahead of the growth curve gives Charlie's the platform from which to create and push many more brands and products through the Group without further significant increases to staff numbers .

This has been entirely funded out of operating cash flow in keeping with our strategy of 'reinvestment for growth' as outlined to shareholders last year.

The year ahead

Our focus in the current financial year will be on:

- Product packaging and marketing innovation;
- Expanding carbonated beverage ranges;
- Making products more available through fridge placements and outlet/geographical expansion in New Zealand and export markets;
- Improving customer service and in-market execution; and
- Achieving profitable sales while containing costs, including synergy benefits through Australian manufacturing.

To deliver the earnings and return on investment shareholders expect, Charlie's Group cannot stand still. Our "reinvestment for growth" strategy continues to strengthen our brands, and our focus going forward will be on growing profitable sales on the back of these great brands.

Stefan Lepionka
CEO

Board of Directors

Ted van Arkel FNZIM
is the Chairman of Charlie's Group Limited and is a Professional Director involved with a number of public and private companies. He is also the Chairman of Restaurant Brands NZ Limited and is a Director of Allied Work Force Group Limited, The National Property Trust Limited, Auckland Chamber of Commerce, Danske Mobler Limited, La Grouw Corporation Limited and Paper Plus Group Limited and is the Chair of UNITEC NZ and the president of Youthtown. Ted has an extensive career in both retailing and wholesale commencing with Woolworths NZ Limited, followed by BHS Limited, Trans Tours Limited, PlaceMakers and then Progressive Enterprises Limited, retiring in November 2004 as Managing Director.

Stefan Lepionka
is the CEO of the Charlie's Group of Companies. Stefan has been involved in producing and selling beverages since 1990. Stefan's first business - Stefan's Fresh Juice Company – was started in his garage when he was 17, and grew to become a nationwide brand. His business was bought by Frucor Beverages in 1997. Following this, Stefan spent a number of years overseas, including trading fruit juice commodities in London for Dohler Euro Citrus, and working as a consultant to the shareholders and directors of England's leading fruit smoothie and fresh juice company, Pete & Johnny's Plc which was bought by Pepsi Cola. Stefan established Charlie's with Marc Ellis and Simon Neal with a view to bringing higher quality beverage products to the NZ market. Stefan is primarily responsible for Charlie's day-to-day management of the business and for strategic direction and vision. He has two private company directorships, including SJL Properties Limited and SJL Trading Limited.

Tim Cook
is Managing Director of Collins Asset Management Ltd, an Auckland based private equity investment company. The company has a number of investments in technology, property, executive recruitment and the motor industry. Collins Group is the cornerstone shareholder with a 19.9% shareholding in Charlie's. Tim is a Director of a number of companies within and outside Collins Group. These include Cook Executive Recruitment, Auckland Heart Group, Cabco Group, Brand IT Ltd and Team McMillan BMW and Mini. His earlier management career includes senior retail and operational management roles in the supermarket, retail food and fashion industry sectors. Tim has been with Collins Group since 2003 where he was initially a business advisor to the Chairman and subsequently became a Director and CEO of Primecare Retirement Villages, he then oversaw the sale of the business in 2005 and the Group became a private equity organisation.

Marc Ellis BCom (Marketing/Management)
Marc Ellis studied commerce at Otago University majoring in Marketing/Management graduating in 1995. Having played representative rugby union for both Otago and the All Blacks he transferred to Auckland in 1996 to play professional rugby league for the Auckland Warriors, also starting a part time marketing role for KPMG Auckland. In 1998, Marc set up a juicing operation to cater for the Auckland food service market with fellow Charlie's founder Simon Neal. On Stefan Lepionka's return from the UK, he became involved in this idea, and Charlie's was created. Marc retired from professional sport in 2000 and worked full time as Charlie's Marketing Director until early 2005 when he resigned to further other business interests. Marc was a Director of Charlie's since its inception in 1998 until stepping down in August 2005 for personal reasons. Marc rejoined the board in September 2006.

Mark Darrow CA BBus
Mark Darrow joined the board of Charlie's Group Limited as an independent Director on 1 May 2007, and also takes the role of Chairman for the Group's Audit Committee. He is a Chartered Accountant with a Bachelor of business and attended London's prestigious Ashridge Executive development program. As an Executive Director with GE Money, he maintains a strong management and financial involvement in New Zealand business. Mark has a wealth of experience in the financial sector including Chief Executive roles in the sharebroking, asset management and advisory sectors involved with companies such as Direct Broking, Equity Investment Advisors and Dorchester Life. He was previously Managing Director of Continental Car Services which he grew to become New Zealand's largest dealership, and MD of Peugeot New Zealand. These roles have given him a wealth of experience in import/export, distribution, retail and marketing. Mark ''Charlie'' Darrow has been a believer and supporter of the Charlie's Group since day 1, and had the pleasure of being the first person to buy Charlie's shares when they were listed on NZX.

Senior Management Team

Ron Curteis
Wizard of Juice (Marketing Manager).
A Charlie: since November 2006.
Schooled: at Otago University (BCom - Marketing and Management). Auckland University (Dip Bus – Finance).
Played: at Gillette NZ, DB Breweries and APB Breweries.
Medals: Building famous brands (like Oral-B, Braun, Export Gold, Monteiths, Heineken and Tiger Beer). Representing New Zealand at water polo, running the New York marathon in 3:24:20 and learning to drink beer upside down!
Distractions: Dreaming of surfing through gaping Indo barrels in knee deep water over a razor sharp reef on a 6'4" piece of foam. Oh, and travel and skiing.

Nicky Harvey
Colonel Bean (Chief Financial Officer).
A Charlie: since February 2005.
Schooled: at Otago University (BCom – Marketing, Graduate Diploma - Accounting).
Medals: Chartered Accountant (NZICA member).
Done the hard yards: at Ernst & Young, Merrill Lynch, Channel Five and Saatchi and Saatchi.
Respect: as an integral part of Charlie's moving from being a small private company through reverse acquisition of Spectrum Resources to a public company listed on NZX with 100+ employees.
Distractions: Pounding the pavement and searching the worlds exotic locations for sunken treasure with friends and family.

THIS WAY UP

Sheree Cassin
Charlie's Chief Angel (General Manager Sales).
A Charlie: since March 2006.
Toiled: at Fonterra (Tip Top), Mother Earth, Arnotts and Nestle.
Medals: Mum to 3 kids and 27 sales people! Achieving sales budgets year after year – the last 3 in fact!
Respect: from whipping the sales team at Charlie's into shape to drive significant brand growth ahead of the rest.
Distractions: The latest gossip from her friends and family. Dreaming of adventure in foreign lands. Reading the signs of the Zodiac.

John Evans
Professor of Juice (Operations Manager).
A Charlie: since March 2001.
Schooled: at Massey University (BTech (Hons) – Food Science. MTech (Hons) - Food Science). Auckland University (PGDip Bus Admin).
Toiled: Through early days at Phoenix Organics to integration with Charlie's.
Medals: Hunting down the ingredients that make up our fantastic unadulterated drinks.
Distractions: House hunting, fish hunting and general hunting really.

Stefan Lepionka
Main Squeeze (CEO).
A Charlie: since 1999.
Humble Origins: Started a juicing operation out of the family garage when he was 17 that was later bought by Frucor Beverages.
Big OE: Spent trading fruit juice commodities for Dohler Euro Citrus in London (just for a break).
Guru: to leading English fruit smoothie and fresh juice company of the time, Pete & Johnny's PLC which was bought by Pepsi Cola.
The Great Return: back to New Zealand to team up with ex jock Marc Ellis and Simon Neal to found Charlie's in 1999.
Loves: spending every free moment away from the squeeze with his family and friends.

Statements of Financial Performance

for the year ended 30 June 2007

	Notes	Group 12 months 30 June 2007 $000	Group 15 months 30 June 2006 $000	Parent 12 months 30 June 2007 $000	Parent 12 months 30 June 2006 $000
Operating revenue	1	24,059	18,563	-	-
Operating expenses	2	(23,138)	(18,197)	(425)	(663)
EBITDA		921	366	(425)	(663)
Interest income		11	179	7	142
Interest expense		(67)	(21)	(1)	-
Depreciation	2	(367)	(292)	-	-
Amortisation	8	(462)	(283)	-	-
Net surplus/(deficit) before income tax		36	(51)	(419)	(521)
Income tax	15	(3)	(112)	-	-
Net surplus/(deficit) attributable to shareholders		33	(163)	(419)	(521)

The accompanying notes form part of and should be read in conjunction with these financial statements.

Statements of Movements in Equity

for the year ended 30 June 2007

	Notes	Group 12 months 30 June 2007 $000	Group 15 months 30 June 2006 $000	Parent 12 months 30 June 2007 $000	Parent 12 months 30 June 2006 $000
Net surplus/(deficit) for the year		33	(163)	(419)	(521)
Total recognised revenues and expenses		33	(163)	(419)	(521)
Contribution by owners	4	-	12,446	-	12,446
Reverse acquisition share issue	5	-	2,453	-	11,660
Movements in equity for the year		33	14,736	(419)	23,585
Equity at beginning of year		14,692	(44)	25,513	1,928
Equity at end of year		14,725	14,692	25,094	25,513

The accompanying notes form part of and should be read in conjunction with these financial statements.

Statements of Financial Position

as at 30 June 2007

	Notes	Group 30 June 2007 $000	Group 30 June 2006 $000	Parent 30 June 2007 $000	Parent 30 June 2006 $000
ASSETS					
Current assets					
Cash at bank		271	677	116	87
Trade receivables		2,056	1,672	-	-
Inventory		2,610	2,203	-	-
Other current assets		159	200	51	129
Due from subsidiaries	11	-	-	13,283	13,705
Total current assets		5,096	4,752	13,450	13,921
Non-current assets					
Investments in subsidiaries	5, 6	-	-	11,660	11,660
Property, plant & equipment	12	3,267	2,875	-	-
Intangible assets	8	8,492	8,954	-	-
Deferred tax	14	108	42	-	-
Other non-current assets		17	-	-	-
Total non current assets		11,884	11,871	11,660	11,660
TOTAL ASSETS		16,980	16,623	25,110	25,581
SHAREHOLDERS' FUNDS					
Share capital	4	15,280	15,280	36,942	36,942
Retained earnings	3	(555)	(588)	(11,848)	(11,429)
Total Shareholders' Funds		14,725	14,692	25,094	25,513
LIABILITIES					
Current liabilities					
Trade payables		1,692	1,622	16	23
Other current liabilities	16	523	259	-	45
Provision for taxation		40	43	-	-
Total current liabilities		2,255	1,924	16	68
Non-current liabilities					
Other non-current liabilities	16	-	7	-	-
Total non-current liabilities		-	7	-	-
TOTAL LIABILITIES		2,255	1,931	16	68
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		16,980	16,623	25,110	25,581

For and on behalf of the Board. Dated: 14 August 2007

Chairman

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

Statements of Cash Flows

for the year ended 30 June 2007

	Notes	Group 12 months 30 June 2007 $000	Group 15 months 30 June 2006 $000	Parent 12 months 30 June 2007 $000	Parent 12 months 30 June 2006 $000
OPERATING ACTIVITIES					
Receipts from customers		24,060	18,532	422	-
Interest received		11	179	6	142
Operating Cash Inflows		24,071	18,711	428	142
Payments to suppliers & employees		(23,762)	(19,724)	(482)	(596)
Interest paid		(67)	(21)	-	-
Income tax received/(paid)		-	(98)	-	-
Operating Cash Outflows		(23,829)	(19,843)	(482)	(596)
Net cash flows from operating activities		242	(1,132)	(54)	(454)
INVESTMENT ACTIVITIES					
Cash acquired on reverse acquisition	5	-	1,633	-	-
Proceeds from sale of property, plant and equipment		-	12	-	-
Loans repaid by other entities		83	78	83	78
Investing Cash Inflows		83	1,723	83	78
Purchase of property, plant and equipment		(723)	(524)	-	-
Purchases of equity investments (net of cash acquired)	6	-	(10,189)	-	-
Loans to other entities		-	-	-	(13,705)
Investing Cash Outflows		(723)	(10,713)	-	(13,705)
Net cash flows from investment activities		(640)	(8,990)	83	(13,627)
FINANCING ACTIVITIES					
Proceeds from shares issued	4	-	12,446	-	12,446
Financing Cash Inflows		-	12,446	-	12,446
Repayment of borrowings		(8)	(1,768)	-	-
Financing Cash Outflows		(8)	(1,768)	-	-
Net cash flows from/to financing activities		(8)	10,678	-	12,446
Net (decrease)/increase in cash held		(406)	556	29	(1,635)
Cash at beginning of year		677	121	87	1,722
Cash at end of year		271	677	116	87
Composition of cash					
Cash and bank balances		271	677	116	87

The accompanying notes form part of and should be read in conjunction with these financial statements.

Reconciliations of Operating Cash Flow

for the year ended 30 June 2007

	Notes	Group 12 months 30 June 2007 $000	Group 15 months 30 June 2006 $000	Parent 12 months 30 June 2007 $000	Parent 12 months 30 June 2006 $000
Net surplus/(deficit) for the year		33	(163)	(419)	(521)
Non cash items					
Depreciation	2	367	292	-	-
Amortisation of goodwill	8	462	283	-	-
Increase/(decrease) in doubtful debts	2	16	(22)	-	-
Foreign exchange loss	2	28	53	-	-
Deferred tax	14	(66)	42	-	-
		807	648	-	-
Movements in working capital					
Decrease/(increase) in trade and other receivables		(343)	(1,344)	421	152
Decrease/(increase) in inventory		(407)	(1,407)	-	-
Increase/(decrease) in trade payables and other current liabilities		162	(59)	(56)	(85)
Increase/(decrease) in taxation payable		(3)	43	-	-
Trade assets and liabilities acquired		-	1,160	-	-
		(657)	(1,607)	365	67
Items classified as investing activities					
Loss/(gain) on sale of property, plant and equipment	2	(7)	(10)	-	-
		(7)	(10)	-	-
Net cash flow from operating activities		242	(1,132)	(54)	(454)

Non-cash investment activities relating to the reverse acquisition are set out in Note 5.

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

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CHARLIE'S GROUP

SELECTED PRESS ARTICLES

The following has been obtained from the press as indicated.

Charlie's Group Limited; PHOENIX BUSINESS RELEASE

483 words
25 September 2007
16:41
New Zealand Exchange Company Announcements
English

PHOENIX COLA ADDS LIFE, BECAUSE IT IS INDEED THE REAL THING

Organic beverage business, Phoenix is launching an edgy new integrated advertising campaign, which truly challenges consumers to think about whether what they are drinking is really good for them, and of equal importance - good for the planet.

Designed by advertising agency Consortium, and French artist Choo from YUKFOO Animation Studio, the campaign uses cartoon characters to bring to life the Phoenix mission - which unlike many big brands, is to make drinks from natural organic ingredients that are genuinely good to drink, and are made with respect for the world we live in.

Ron Curteis, Phoenix Marketing Manager says that consumers are becoming more and more aware of the benefits of organic products. "Over the past few years the demand for great tasting organic products has increased - consumers want to know exactly what they are putting into their bodies, and they don't want to have to try to decipher scientific codes on the back of the packaging to know what they are drinking" he says.

"At Phoenix we go to great lengths to deliver delicious drinks made from 100% organic ingredients while striving for an environmentally sustainable business model. Our new advertising campaign is fun and light-hearted, but it does carry a serious message, and we think it will really get people thinking about what goes into the drinks they consume and how those ingredients might affect them and the wider environment".

Ever since the first Phoenix product (Ginger Fizz) in 1986, the vision for the business has remained the same.

Roger Harris, Phoenix founder says that recycling was our mantra. "When we first developed Phoenix Ginger Beer we bottled it in recycled beer bottles that we had collected from the local pubs, soaked in a tub to get the labels off and then sterilised in a commercial dishwasher," he says.

"We've come a long way since those days, but the principals have always remained the same. When we set up the purpose built manufacturing facility in beautiful West Auckland we strived to ensure that every part of our business would be sustainable - and that all of our products would be made with organic ingredients".

Now part of the Charlie's Trading Co, Phoenix produces more than 20 varieties of organic cold beverages that can be found in cafes, service stations, restaurants and supermarkets nationwide.

The new advertising campaign elements include a new website, street posters, print advertising and for the first time in the 21 years of the business, Phoenix is rolling out TVC's (starting Sunday 16th September).

Charlie's Group Limited; Charlie's Orange Juice Judged Number 1

30 September 2007
New Zealand Exchange Company Announcements

Charlie's Orange Juice Judged Number 1

Charlie's and Phoenix Organics brands, both part of Charlie's Trading Company, have joined hands to clean up at this year's New Zealand Juice and Beverage Awards on Friday 28 September 2007, with Charlie's taking home the plum prize, the overall Supreme Award.

The annual competition which showcases the quality and range of beverage choices available to New Zealand consumers attracted in excess of 70 entries in 13 categories, well up on last year's numbers.

According to the NZJBA Executive Director, Kerry Tyack, the quality and variety of beverages entered into this year's awards are reflective of one of the country's most innovative sectors.

"The local beverage industry provides a massive range of products to meet everyone's taste and requirements and our judges this year had a difficult task selecting winners from a standout group."

After a notable absence of entry in these awards in the past two years, during which time Charlie's and Phoenix Organics have been focused on new product development, their innovation in product development was recognized and rewarded with an impressive and unprecedented 10 awards out of the total 13 categories taking on big players Coca-Cola and Frucor.

"It is hugely pleasing to have been picked for 10 awards and the overall Supreme Award out of 70 entries, in what is a true independent judging panel of experts and consumers. It also reflects that what we are doing as a group is starting to pay off. That is, providing premium quality beverages as an alternative for New Zealand and International consumers."

Tyack also remarked that the winners list showed that feijoa continues to rise in popularity as a flavour enjoyed by consumers. The team behind Charlie's and Phoenix Organics continues to work hard to spot new flavour and product trends, and there is big news on the horizon for Charlie's in this regard.

Watch this space. Meanwhile, check out the Charlie's and Phoenix Organics wins below:

There are two sections in each category, one open specifically to New Zealand companies and an open section for both local and international producers. Organisers say this arrangement aids in acknowledging both smaller locally owned and larger overseas companies. It was in the New Zealand section that Charlie's and Phoenix Organics won their awards.

Overall open category winner for local and international:

Supreme Award - Charlie's Honest Squeezed Orange Juice
Short shelf life/Not From Concentrate award - Charlie's Honest Squeezed Orange Juice
Packaging Award - Phoenix Organics Mineral Water - Still
Water - Near Natural/Flavoured - Phoenix Organics Sparkling Feijoa Fruit Water

New Zealand awards:

Fruit Drinks - Charlie's Old Fashioned Lemonade Quencher Reconstituted Fruit Juice - Phoenix Organics Feijoa and Apple Juice Short Shelf Life/Not from Concentrate Juice - Charlie's Honest Squeezed Orange Juice Water - Still - Phoenix Organics Mineral Water - Still Water - Carbonated - Phoenix Organic Mineral Water - Sparkling Carbonated Drinks - Phoenix Organic Cola Diet/Light Drinks - Phoenix Organics Light Sparkling Lime Blossom

Charlie's Group Limited; Charlie's concludes Australian acquisition

454 words
9 October 2007
22:03
New Zealand Exchange Company Announcements
English

Charlie's concludes deal for Australian juice-processing operation

Listed beverage maker Charlie's Group Ltd has completed its acquisition of the beverage-manufacturing assets of the Australian Gallard and Mirage Groups ("Gallard"), giving it a strategic stake in the trans-Tasman juice and beverage market.

The transaction was settled today, and the newly formed Charlie's Group Australia Pty Ltd, which manages Charlie's Group's juice-processing and bottling in Australia, will provide the platform of the expansion of Charlie's in Australia. The total cost of the acquisition and expansion of the plant at Renmark, South Australia, is about A$2 million.

Charlie's Group chief executive Stefan Lepionka said the acquisition would provide a strong foundation for sustainable growth in the knowledge that a long-term fruit supply was guaranteed.

"New equipment has been ordered for the Gallard plant, and installation of equipment has begun. We are also looking to appoint key staff to assist procurement manager Brad Gallard run the enlarged operation," he said.

"This is a very exciting moment for Charlie's and we are confident that the Australian business will improve long-term growth and lift our gross margin significantly - starting from the last quarter of this financial year."

Mr Lepionka said the acquisition allowed Charlie's to manufacture the Charlie's bottled Not from Concentrate (NFC) range close to the fresh fruit source more cost-effectively on a specialised plastic bottling line.

"As a result of this, further investment will go into the Henderson site in Auckland to make it a dedicated glass-filling production facility only for the current Phoenix Organics range and the new Charlie's Soda Co glass range."

The new assets acquired allow juicing, processing, and bottling of fruit juices, Old Fashioned Quenchers and Smoothys at the 125ha Gallard orchard and factory at Renmark which is in the Riverland region, one of Australia's premier citrus-growing areas. The orchard produces an average annual output of 6,000 tonnes of citrus fruit, including Valencia and Navel oranges, lemons and limes.

The Gallard family will continue to own and operate the orchard to exclusively supply Charlie's juicing citrus requirements.

Charlie's Group chairman Ted van Arkel said the acquisition fitted well with the group's strategy of acquiring assets to enhance long-term growth and earnings and the acquisition has been completed smoothly.

"This acquisition sits comfortably with our growth strategy and we are confident it will strengthen the group and deliver significant benefits over time," he said.

Charlie's Group Limited; CHARLIE'S GROUP LIMITED AGM SPEECHES

19 November 2007
16:00
New Zealand Exchange Company Announcements
English

CHARLIE'S GROUP LIMITED ANNUAL MEETING

ELLERSLIE EVENT CENTRE, AUCKLAND

20 November 2007

[TRUNCATED]

Thank you Mr Chairman.

Good morning ladies and gentlemen.

Firstly thank you for attending today's meeting and your interest and support of the Charlie's Group story.

It gives me great pleasure to update you on a beverage company that is going places.

My address today will cover three areas.

1. Summary and key highlights of last financial year 2. Our key pillars for growth 3. Outlook for the year to come

As Ted has indicated we have just come out of a fantastic year that saw the company record a substantial rise in sales, from all channels of our business.

In supermarkets at our year end, we had 9% value share of the total juice market, an increase of 19% over the previous year and still going. To put this in perspective Coca Cola's juice brands account for 16.6% value share and are in decline at 4.7% in the same period.

This shows that we can compete with the big players and the market is moving towards more premium and quality juice brands.

Operating revenue in the route channel grew an impressive 17% over the 2007 financial year. This came about through investment in three new business development reps that opened 249 new accounts and placed 262 fridges, taking the total number of Charlie's and Phoenix fridges in New Zealand to 824. These fridges increase brand presence plus the control of shelf space and are critical to our business model going forward. Our business development team is small but we expect our team to open 450 new accounts and place 360 new fridges in the 08 financial year. We see this as a strategic opportunity for the company and will invest further in this area.

Export market operating revenues grew from $2.25 million to $2.7 million in the 2007 financial year. Our export strategy is to focus firstly on Australia and then selectively develop Asia Pacific markets as the right opportunities and partners arise.

An example of this is the success of our distributor in South Korea who has had a range of Phoenix drinks accepted into the Coffee Bean and Tea Leaf Company. This is one of the largest privately owned cafe chains in the world and we have seen our volume grow from pallets per month to full sea containers per month. South Korea is now our largest international market outside of Australia accounting for 8% of our total export sales and growing rapidly.

The Japanese market opportunity continues to develop slowly, but positively for the Charlie's brand. Following the acquisition in South Australia we now have the ability to supply product directly from our own facility which will help progress into this market.

There has been a strong focus on growing new business in Australia and we are currently opening an average of 60 new accounts per month. We placed a total of 205 fridges Australia wide in the last financial year and the plan is to double it this year. We are happy to announce that sales year to date in Australia are up 28% compared to the same period a year ago and we see this trend continuing.

Closer to home the Henderson site has recently benefited from capital expenditure of $600,000, spent mostly on plant and equipment. This has resulted in increased efficiencies and increased volume of stock dispatched through the Henderson warehouse. For example, using the same production shifts our October bottling line volume was up 45% on the same month last year.

Key Pillars for Growth

Next I'd like to share with you some of the key pillars for growth we have identified to realise this company's potential. They are:

1. Vertical Integration 2. Product Innovation 3. Brands

Vertical Integration The recent purchase of the juice production and bottling plant in South Australia has been a transformational acquisition. The implications of this purchase are far greater than they seem on the surface.

Our current arrangement with third party bottlers has suffocated our innovation programme, given us zero flexibility on packaging and hindered export market development. We were also precluded from launching Charlie's into Australia. We had high finished goods inventory resulting in high working capital requirements and uncertainty of fruit supply. But worst of all the arrangement reduced our margins below the industry standard.

The reality is that any new brand entering the premium juice market has to overcome these hurdles. We have done our time and matured through this phase to the point where we are able to control these variables. Commissioning of the South Australian plant is underway and we are on track to produce the Charlie's plastic bottle range at this facility during the fourth quarter of this financial year. We estimate a 10% average improvement in our gross margin for these products as a result.

Of course the benefits of this acquisition do not stop there.

Just-in-time ordering will reduce stock levels because we will be producing to our own programme, decreasing our stock holdings from seven to four weeks.

We gain greater flexibility in ordering, forecasting and production volumes which helps us avoid out of stocks and stock write-offs.

The bottling facility is based on one of the largest privately owned citrus orchards in South Australia and we have negotiated exclusive rights to its citrus crop.

Further, we are excited to announce today that this acquisition gives us the platform to launch Charlie's into the Australian market in the fourth quarter of this financial year. The success of the Phoenix brand has meant we have built strong distributor relationships and a solid customer base which provides the ideal platform to launch the Charlie's brand in Australia.

And last but not least a key benefit from this transaction is the chance to be truly innovative - our second major pillar for growth.

Product Innovation As the international marketing experts Jack Trout and Al Reis say "Innovate or die!"

The Charlie's and Phoenix brands have been leaders in the healthy beverage market.

However, we cannot afford to rest on past glories.

The trend for "health and well-being" continues to influence every major food and beverage company in the World. We believe we are well positioned to innovate further to capitalise on this trend.

Innovation and new product development has been a key focus for the new marketing team. Three major products were launched during the last six months of the year:

Charlie's Old Fashioned Quenchers were launched in May to tap market demand for a more accessible and versatile Charlie's product. Quenchers are formulated to old-fashioned recipes and are refreshing and lighter to drink.

After just six months in the market, they now make up 4% of the total chilled juice sales in supermarkets. These sales have not cannibalised the rest of the Charlie's chilled juice range.

Our overall market share has grown from 23.7% to 30.1%.

Consumer wellbeing and health was the positioning for our new Phoenix Light Sparkling Range. Low in sugar and high on design, the three innovative flavours Lemongrass, Lime Blossom and Elderflower, have been well accepted by our route customers and fashion conscious consumers alike. Phoenix Light Sparkling was one of the official beverages at New Zealand Fashion week where we had the perfect opportunity to showcase this fashionable product.

Our product innovation recently extended to a behind-the-counter offering for our cafe customers. For the last four years we have marketed a very successful Phoenix Chai, a concentrate used by baristas to make hot Chai beverages. We recently added three new variants to create a range of hot beverages that complement our cold beverage offering with a winter focus.

Lemon Toddy, Berry Well and Coco Love have been well received in both New Zealand and Australia and have grown our overall hot beverage sales.

In this industry, Innovation needs to be flexible and speedy. The concept of Charlie's Soda Company was brought to market in just three months and is already been a roaring success. Launched 1 October, Charlie's Soda Company is based on an overseas trend towards healthy, grown-up soft drinks. With our expertise in fruit juice we have filled a genuine consumer need for a healthy alternative to mainstream soft drinks, a natural fruit soda just like the good old days.

SCREEN TV ADS HERE

Well, these ads have certainly caused a bit of a fizz.

Not only does Charlie's Soda Company fulfil a consumer need, it also gives us an opportunity to fill excess capacity on our Henderson glass bottling line. This increases margins on all products produced at the Henderson plant. We are only 6 weeks into the launch but I am pleased to announce we are well above our forecasted budgets and have high expectations for this product in the large carbonated soft drink market.

To keep the innovation machine running we recently set up a dedicated new product development and innovation team. This team is constantly looking to tap into the next major market and consumer trends.

Brands My third pillar for growth is Brands and we are fortunate enough to have two of the best in the market place. Great brands have value and meaning to their consumers and building them takes time and investment. This year the Marketing investment in our brands will increase from $1 million spent in the 2007 financial year to $3 million.

Colmar Brunton research shows that Charlie's is the most recognised juice brand in the market with 94% of consumers aware of us. This level of brand awareness is almost unheard of in any product category. Phoenix is rapidly catching up and now has 43% brand awareness. Not only are consumers aware of our brands but they are also well loved.

This was illustrated at the first independently judged New Zealand Juice and Beverage awards in October this year.

Charlie's and Phoenix scooped up 10 out of the 13 awards. Truly outstanding!

But to keep our brands top of mind and relevant to our customers and consumers we must continue to develop and nurture them.

PHOENIX

Hence, our strategy for the Phoenix brand is to keep building its profile and awareness. We need to increase its consumer appeal and widen our distribution in the process to become a truly iconic organic beverage from New Zealand.

Our first step was the investment in the inaugural Phoenix Fest in March 2007 which signalled the company's intention to take this niche brand to a wider consumer audience. The festival was well received and attended and we are now in planning for a bigger and even better festival in 2008.

We have since developed and launched the brand's first ever advertising campaign that communicates the Phoenix principals through TV, print and outdoor advertising. These principals are about making drinks that are genuinely good to drink whilst respecting the planet and our drinker's health. Basically, standing up for a better, healthier and tastier life.

The campaign and brand relaunch has filtered into other areas of the marketing mix such as a new website, truck and fridge signage and packaging upgrades across the Phoenix range.

To help us spread the Phoenix message we are taking the brand to the people with the development of a Phoenix mobile sampling vehicle to attend lifestyle events throughout the summer. The vehicle will take the Phoenix experience and drinks directly to about 300,000 people at events such as the Ellerslie Flower Show, Music Festivals, Food & Wine Festivals, Farmers Markets and of course our beaches over the summer months. Phoenix will also be promoted in a nationwide supermarket-sampling programme.

Our vision is to make Phoenix more available so that both New Zealanders and our international consumers can drink healthier beverages.

CHARLIE'S

Our strategy for Charlie's is to capitalise on its incredibly high brand awareness and likeability. We need to convert this into wider distribution and product offerings that make Charlie's more accessible.

Our recent launch of Charlie's Soda Company does exactly that.

The recent launch has been supported with significant TV advertising, PR, internet marketing, and other branding opportunities.

The brand has also embarked on its biggest grocery consumer sampling campaign ever. This proven promotional tool always delivers volume and new drinkers to the Charlie's brand.

Work is under way on the development of a new look bottle and label for the Charlie's brand that will be produced at our new plant in South Australia. We are also working on new formulations and pack offerings to further increase the appeal of the Charlie's brand.

Outlook

I am pleased to report that for the first four months of the financial year, Charlie's Group sales are 20% ahead of the same four months last year, but even more encouraging is the incremental growth that has been building through those months as new products and marketing has come on stream.

Charlie's management team expect the Group to make a small loss for the Half Year ended 31 December 2007. This is due to $2 million of the $3 million annual marketing expenditure occurring in the first six months of the year and the inclusion of the non-capital set up costs associated with the South Australian facility.

Coming in to our key summer trading period we are in great shape.

Our South Australian acquisition is coming to life, Charlie's Soda co is exceeding expectations and the Phoenix campaign is opening up new distribution channels. Most importantly we have the right people in place to get the results we are after.

I'd like to take this opportunity to thank the team at Charlie's for their dedication and passion and thank you, the shareholders, for backing us.

I now ask our Chairman, Ted van Arkel to resume proceedings for the remainder of the meeting.

Thank you

theIndependent
NEW ZEALAND'S BUSINESS WEEKLY

JUICES FLY AS COKE PUTS SQUEEZE ON CHARLIE'S

368 words
19 December 2007
The Independent Financial Review
English

JENNY KEOWN

Local juicemaker Charlie's Group has dropped its cheeky anti-Coke ad campaign, bowing to pressure from the multinational giant.

Coca Cola Amatil threatened to launch legal action over Charlie's use of "Zero Coke 100% Organic" in advertising its organic Phoenix juice range, alleging the ads amounted to trademark misuse.

George Adams, Coca Cola's managing director, claims the tenacious Kiwi company tried to begin a war with his firm in an attempt to drive media interest.

"It would otherwise be a very dull business to business issue. It's gone beyond that, and Charlie's have gone beyond that."

Charlie's marketing manager Ron Curteis says it was "ludicrous" of Coke to suggest it had tried to begin a war.

"We've got no way of winning that war against such a big company, I mean that's just ridiculous."

Coca Cola created the website, www.gettherealfacts.co.nz in response to Charlie's allegations about the business.

"While we will continue to focus on playing the ball not the man, in the way we do business in the New Zealand market, I will not stand by and see false claims made without defending our reputation," says a website statement from Adams.

Charlie's has claimed Coca Cola has copied the Charlie's juices label designs for its fresh juice brand, Goulburn Valley, in Australia.

Adams says he's confident that didn't happen.

"They may look similar, but unfortunately we're all in the juice business. There aren't that many ways to photograph an apple or an orange."

Charlie's has also lobbed criticisms at the firm's use of Aspartame in the Coca Cola Zero drink.

Adams says Aspartame has been researched more than any other food ingredient and scientific peer-reviewed studies has shown it to be particularly safe.

"We list all of our ingredients on our packaging, we provide a very detailed nutritional panel on our packaging."

He defended claims Coca Cola's 16% market share of the juice market was stagnating.

"Honestly, that's ludicrous. You'll see some good financial results from us when we report in February."

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

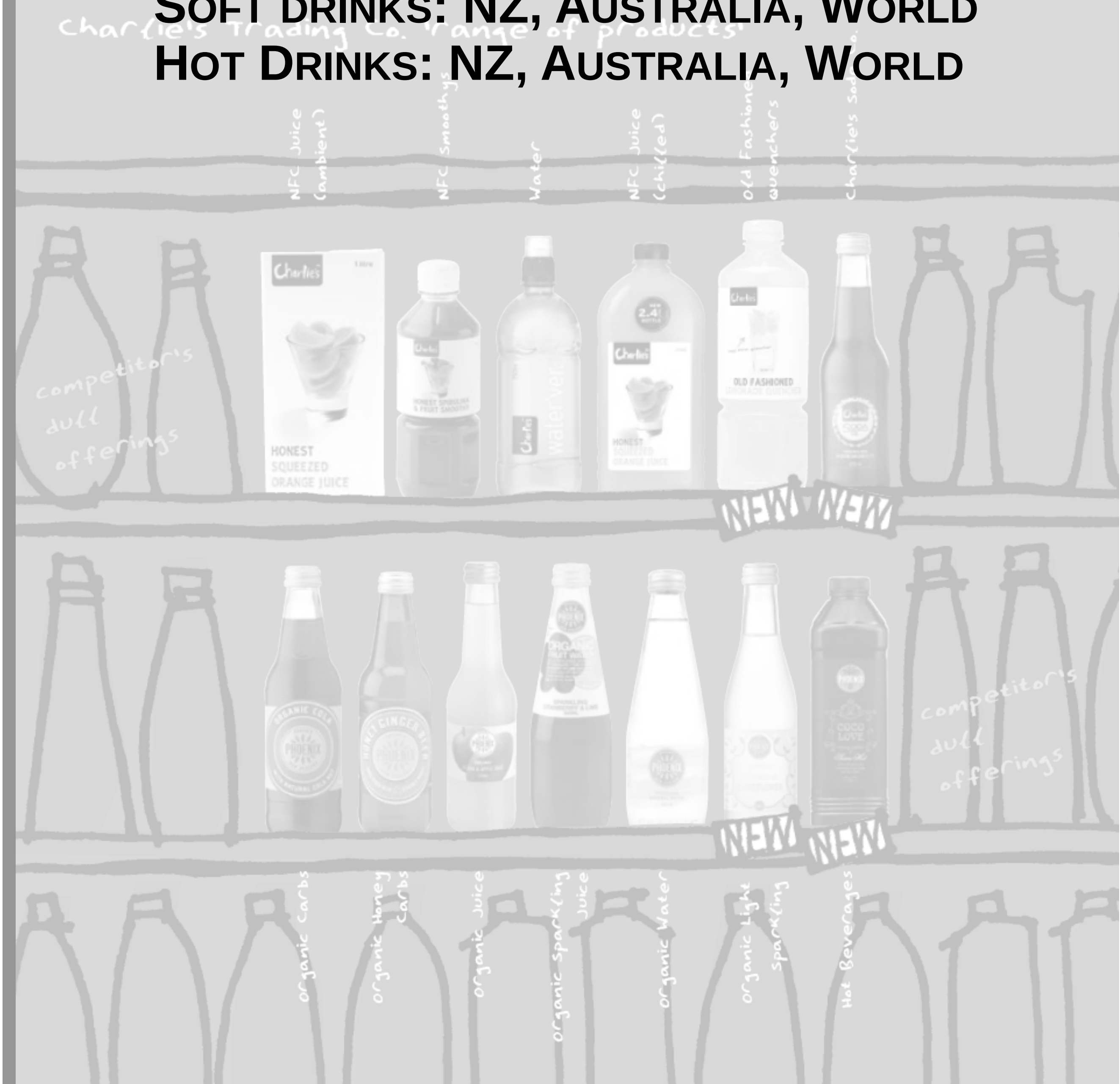
Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL
CHAMPIONS TROPHY CASE COMPETITION 2008

CHARLIE'S GROUP

INDUSTRY OVERVIEWS

SOFT DRINKS: NZ, AUSTRALIA, WORLD
HOT DRINKS: NZ, AUSTRALIA, WORLD



Note: "off-trade" refers to drinks sold at a shop; "on-trade" refers to drinks sold in a restaurant or bar.
Note: "RTD" means ready-to-drink.

The following has been obtained from Euromonitor.

Charlie's™

SOFT DRINKS IN NEW ZEALAND

2006 Begins With Renewed Consumer Interest in Health and Wellness

In 2006, volume sales of soft drinks improved marginally, while value sales grew by slightly more. Consumers are increasingly ‘trading up’ and paying more attention to what they drink, often seeking healthier options. This has paved the way for the launch of a wide array of new products, reflecting consumer demand for freshness and quality. The growing interest in the potential health benefits of certain products has enabled leading manufacturers to carve out new and promising niches. Consequently, fruit/vegetable juice, bottled water, and functional drinks emerged as clear winners at the expense of sugar-loaded standard carbonates and concentrates, generally perceived as artificial.

Self-regulation Takes the Market in A New Direction

In 2006, a new era began, when leading companies in the soft drinks market agreed to work in collaboration with the government as part of an initiative to tackle childhood obesity. Thus, Frucor Beverages Ltd and Coca-Cola Amatil (NZ) Ltd jointly agreed to withdraw full-sugar versions of carbonates and functional drinks in school canteens and vending machines progressively. Despite initial losses following the withdrawal, this move will contribute to the development of new healthier soft drinks options, thereby not only recapturing the initial losses in the shot-term but also creating a new generation of brand-loyal and health-conscious consumers.

Bottled Water Leading From the Front

Bottled water, as demonstrated by the strong volume and value sales increases in 2006, effectively transformed the nature of competition within soft drinks. New generation bottled water products, especially flavoured and carbonated bottled water, have shown strong growth over the review period, thus working as ‘transition’ drinks, enabling health-conscious consumers to easily shift their consumption from carbonates to bottled water. Manufacturers have capitalised on this trend by offering ‘exotic’ flavours and new bottle designs with young consumers and their lifestyles in mind. However, the excellent quality of tap water remained a barrier to sales, demonstrated by the fact that New Zealand still lags behind other developed nations in terms of per capita consumption of bottled water.

Carbonates Fighting Back

Consumer health and wellness trends, as well as adverse publicity, affected carbonates sales. However, carbonates are fighting back. The introduction of sugar-free Coca-Cola Zero by Coca-Cola Amatil (NZ) Ltd in 2006 clearly set a new standard, with a significant lift in volume sales in carbonates. The rising popularity of Coca-Cola Zero led leading players to change their tactics in non-cola carbonates, focussing on zero-sugar alternatives of brands such as Mountain Dew, L&P and Sprite.

Moving Forward for A Better Future

Sound performances, both in value and volume terms, are expected for soft drinks in New Zealand over the forecast period. While products perceived as meeting consumer health and wellness needs will grow in importance, taste and freshness will remain priorities. Further market segmentation is likely with the launch of gender-specific products, as well as products catering for different age groups, such as specific soft drinks for children. Furthermore, expansion of those relatively underdeveloped categories that are nevertheless key to the health and wellness trend, such as fruit smoothies, fresh juice, carbonated and flavoured bottled water, RTD coffee and RTD tea, will help to achieve positive performances for soft drinks in both volume and value terms over the forecast period.

Company Shares of Off-trade Soft Drinks (as sold) by Volume 2002-2006

% off-trade volume Company	2002	2003	2004	2005	2006
Coca-Cola Amatil (NZ) Ltd	61.3	61.7	62.4	61.8	61.0
Frucor Beverages Ltd	21.6	21.5	22.7	23.7	24.1
Bundaberg Brewed Drinks Pty Ltd	1.4	1.3	1.2	1.2	1.4
GlaxoSmithKline New Zealand Ltd	0.7	0.7	0.7	0.8	0.8
Pinto Fruit Juice Ltd	0.5	0.4	0.4	0.5	0.6
New Zealand Dairy Foods Ltd	0.1	0.1	0.1	0.5	0.5
SABMiller Plc	0.3	0.3	0.3	0.4	0.4
Charlies Trading Co Ltd	0.1	0.1	0.2	0.4	0.4
Brownlie Brothers Ltd	0.4	0.4	0.4	0.4	0.4
Hansells (NZ) Ltd	0.2	0.2	0.2	0.2	0.3

Red Bull (NZ) Ltd	0.2	0.2	0.2	0.3	0.3
Supreme Juice Ltd	0.1	0.1	0.2	0.2	0.2
McCashines Brewery	0.1	0.2	0.2	0.2	0.2
Ocean Spray Cranberries Inc	0.2	0.2	0.2	0.2	0.2
Top Juice Ltd	0.4	0.3	0.3	0.2	0.2
GlaxoSmithKline (NZ) Ltd	0.1	0.1	0.1	0.1	0.1
CH'I International Ltd	0.1	0.1	0.1	0.1	0.1
Mainland Products Ltd	0.8	0.7	0.6	0.1	-
Baker Hall (NZ) Ltd	0.2	0.2	0.2	0.2	-
Phoenix Organics Ltd	0.1	0.1	0.1	-	-
Rio Beverages Ltd	-	-	-	-	-
South African Breweries Plc	-	-	-	-	-
Sun Country Juices Ltd	-	-	-	-	-
Private Label	4.4	4.3	4.1	4.1	4.1
Others	6.9	6.8	5.3	4.7	4.7
Total	100.0	100.0	100.0	100.0	100.0

Source: *Trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Company Shares of Off-trade Soft Drinks by Value 2002-2006

% off-trade value rsp

Company	2002	2003	2004	2005	2006
Coca-Cola Amatil (NZ) Ltd	52.7	53.6	54.8	54.0	52.7
Frucor Beverages Ltd	25.0	24.8	26.1	27.5	28.4
Hansells (NZ) Ltd	1.5	1.4	1.3	1.3	1.7
Cerebos Gregg's Ltd	1.7	1.6	1.5	1.4	1.4
Red Bull (NZ) Ltd	0.8	0.9	0.9	1.0	1.2
Bundaberg Brewed Drinks Pty Ltd	1.2	1.1	1.0	1.0	1.1
GlaxoSmithKline New Zealand Ltd	1.1	1.0	1.1	1.0	1.1
Charlies Trading Co Ltd	0.1	0.2	0.3	0.7	0.9
Brownlie Brothers Ltd	0.8	0.8	0.8	0.7	0.8
New Zealand Dairy Foods Ltd	0.1	0.1	0.1	0.7	0.7
Pinto Fruit Juice Ltd	0.5	0.4	0.4	0.6	0.7
SABMiller Plc	0.3	0.3	0.3	0.3	0.4
GlaxoSmithKline (NZ) Ltd	0.3	0.3	0.3	0.3	0.4
Supreme Juice Ltd	0.2	0.2	0.3	0.3	0.4
Ocean Spray Cranberries Inc	0.2	0.2	0.3	0.3	0.3
CH'I International Ltd	0.2	0.2	0.2	0.2	0.2
Top Juice Ltd	0.4	0.3	0.4	0.3	0.2
McCashines Brewery	0.1	0.2	0.2	0.2	0.2
Barker Fruit Processors Ltd	0.2	0.2	0.2	0.2	0.1
Golden Circle Ltd	0.1	0.1	0.1	0.1	0.1
Nestlé New Zealand Ltd	0.0	0.0	0.1	0.1	0.1
Cadbury Confectionery Ltd	0.1	0.1	0.1	0.1	0.1
Juice Express Ltd	-	-	-	0.1	0.1
Soda Club Ltd	0.1	0.1	0.1	0.1	0.1
Kaban Industries NZ Ltd	0.1	0.1	0.1	0.1	0.1
Sanitarium Health Food Co, The	-	0.1	0.1	0.1	0.1
Mainland Products Ltd	1.0	0.9	0.8	0.1	-
Baker Hall (NZ) Ltd	0.5	0.5	0.5	0.5	-
Phoenix Organics Ltd	0.3	0.3	0.3	-	-
Independent Beverages (NZ) Ltd	0.2	0.2	0.1	0.0	-
Naturalac Nutrition Ltd	0.1	0.1	0.1	0.1	-
P & S Holdings Ltd	-	-	-	-	-
Rio Beverages Ltd	-	-	-	-	-
South African Breweries Plc	-	-	-	-	-
Private Label	2.7	2.6	2.5	2.6	2.6

Others	7.3	7.0	4.8	4.0	4.0
Total	100.0	100.0	100.0	100.0	100.0

Source: *Trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

Off-trade Sales of Soft Drinks by Sector and Distribution Format: % Analysis 2006

% off-trade

	C	F/VJ	BW	FD	Con	RTD T
Supermarkets/hypermarkets	55.0	60.5	56.5	53.0	83.0	0.0
Independent food stores	5.0	4.5	7.5	6.5	10.5	0.0
Convenience stores	28.0	25.5	26.0	25.0	1.0	0.0
Discounters	6.0	7.0	4.0	12.0	4.5	0.0
Direct sales	-	-	0.5	-	-	-
Vending	4.5	1.5	4.5	2.5	0.0	0.0
Others	1.5	1.0	1.0	1.0	1.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	0.0

	RTD C
Supermarkets/hypermarkets	54.0
Independent food stores	15.0
Convenience stores	30.0
Discounters	0.0
Direct sales	-
Vending	1.0
Others	0.0
Total	100.0

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*
Key: *C = Carbonates, F/VJ = Fruit/Vegetable Juice, BW = Bottled water, FD = Functional drinks, Con = Concentrates, RTD T = RTD tea, RTD C = RTD coffee, ASD = Asian Speciality Drinks*
Note: *Excludes powder concentrates*

Forecast Off-trade vs On-trade Sales of Soft Drinks (as sold) by Channel: Volume 2006-2011

million litres

	2006	2007	2008	2009	2010	2011
Off-trade	511.7	520.5	528.8	536.6	543.2	548.1
On-trade	94.6	98.2	101.6	104.7	107.3	109.3
Total	606.4	618.7	630.4	641.3	650.4	657.4

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Forecast Off-trade vs On-trade Sales of Soft Drinks by Channel: Value 2006-2011

NZ$ million

	2006	2007	2008	2009	2010	2011
Off-trade	1,050.9	1,088.2	1,122.7	1,153.6	1,179.2	1,197.7
On-trade	419.1	438.5	456.8	473.8	488.9	501.1
Total	1,470.0	1,526.6	1,579.5	1,627.4	1,668.1	1,698.9

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

Forecast Off-trade Sales of Soft Drinks (as sold) by Sector: Volume 2006-2011

million litres

	2006	2007	2008	2009	2010	2011
Carbonates	341.3	341.8	342.7	343.5	343.7	343.1

Fruit/vegetable juice	109.5	112.4	115.1	117.5	119.6	121.5
Bottled water	36.4	40.1	43.3	46.3	49.0	51.4
Functional drinks	19.6	21.2	22.7	24.2	25.6	26.9
Concentrates	4.0	4.1	4.2	4.3	4.3	4.4
RTD tea	-	-	-	-	-	-
RTD coffee	0.8	0.8	0.8	0.9	0.9	0.9
Soft drinks	511.7	520.5	528.8	536.6	543.2	548.1

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Forecast Off-trade Sales of Soft Drinks (as sold) by Sector: % Volume Growth 2006-2011

% volume growth

	2006-11 CAGR	2006/11 TOTAL
Carbonates	0.1	0.5
Fruit/vegetable juice	2.1	10.9
Bottled water	7.2	41.2
Functional drinks	6.5	36.8
Concentrates	1.5	7.7
RTD tea	-	-
RTD coffee	1.5	7.7
Soft drinks	1.4	7.1

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Forecast Off-trade Sales of Soft Drinks by Sector: Value 2006-2011

NZ$ million

	2006	2007	2008	2009	2010	2011
Carbonates	524.8	528.6	532.5	535.8	537.6	537.4
Fruit/vegetable juice	261.7	271.0	280.0	288.3	296.1	302.9
Bottled water	72.6	82.2	90.2	97.2	103.0	107.1
Functional drinks	139.0	153.0	166.2	178.2	188.4	196.1
Concentrates	49.8	50.4	50.8	51.0	51.1	51.0
RTD tea	-	-	-	-	-	-
RTD coffee	2.8	2.9	3.0	3.1	3.1	3.1
Soft drinks	1,050.9	1,088.2	1,122.7	1,153.6	1,179.2	1,197.7

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

Forecast Off-trade Sales of Soft Drinks by Sector: % Value Growth 2006-2011

% constant value growth

	2006-11 CAGR	2006/11 TOTAL
Carbonates	0.5	2.4
Fruit/vegetable juice	3.0	15.7
Bottled water	8.1	47.6
Functional drinks	7.1	41.1
Concentrates	0.4	2.2
RTD tea	-	-
RTD coffee	2.0	10.4
Soft drinks	2.7	14.0

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

SOFT DRINKS IN AUSTRALIA

Soft Drinks Sales Grew Stronger in 2006

Soft drinks sales in terms of off-trade volume grew stronger in 2006. Sales were boosted by functional drinks and RTD tea, which were still under-developed in Australia over the review period. With new brands and product launches for both functional and RTD tea in 2006, functional drinks and RTD tea posted strong volume growth in 2006. Functional drinks and RTD tea also benefited from rising health consciousness among Australians over the review period.

Sugary Soft Drinks Impacted by Negative Publicity

Health authorities, nutritionists, and politicians are all publicly decrying the drinking of carbonates by children. Often quoted figures show that the rise in childhood obesity in Australia coincides with significant increases in child consumption of carbonates. Bans on the sale of standard carbonates through schools led to further negative publicity for carbonates. This constant and concerned public awareness campaign impacted negatively on the growth of carbonates over the forecast period.

Functionality Is Driving Market Growth

The strong growth sectors within the Australian soft drinks market are functional drinks, RTD tea and bottled water. Consumers are turning more to drinks that meet specific needs such as providing an instant energy boost, replenishment of minerals and electrolytes after sport and rapid re-hydration. However, in fruit/vegetable juice, where fortification has become quite widespread, consumer acceptance is proving to be much slower. Consumers are seeking increased functionality but it would appear that this seems to be biased towards existing and immediate needs.

Supermarkets/hypermarkets Sales on the Rise

Supermarkets/hypermarkets soft drink sales continue to increase in 2006 as leading supermarket retailers, Coles Group Ltd and Woolworths Ltd continued to expand supermarket operations in Australia. Allocating more shelf and refrigerated space to soft drinks and price promotions increased supermarkets/hypermarkets share of soft drinks in 2006.

Industry Self-regulation To Change the Face of Carbonates

Through the auspices of The Australian Beverages Council the collective Australian carbonates manufacturers recently announced a set of self-imposed industry regulations and guidelines covering the marketing of soft drinks to children. Included in these guidelines was a commitment to develop products for children that were significantly lower in calorie content than standard carbonates. The consequence of this initiative is likely to be a number of “new age” carbonate launches and experimentation with both artificial sweeteners and fructose (present as fruit juice) as sucrose replacements over the forecast period.

Forecast Off-trade vs On-trade Sales of Soft Drinks (as sold) by Channel: Volume 2006-2011

million litres

	2006	2007	2008	2009	2010	2011
Off-trade	3,152.3	3,186.5	3,220.2	3,248.4	3,276.7	3,303.8
On-trade	450.7	461.3	471.1	479.8	487.5	494.6
Total	3,603.0	3,647.8	3,691.3	3,728.2	3,764.2	3,798.4

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Forecast Off-trade vs On-trade Sales of Soft Drinks by Channel: Value 2006-2011

A$ million

	2006	2007	2008	2009	2010	2011
Off-trade	6,705.6	6,855.2	6,996.5	7,114.9	7,234.9	7,332.7
On-trade	2,640.4	2,716.4	2,789.0	2,854.3	2,916.2	2,974.0
Total	9,346.0	9,571.6	9,785.5	9,969.2	10,151.1	10,306.7

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

Forecast Off-trade Sales of Soft Drinks (as sold) by Sector: Volume 2006-2011

million litres

	2006	2007	2008	2009	2010	2011
Carbonates	1,691.4	1,678.6	1,668.9	1,658.6	1,649.8	1,641.9
Fruit/vegetable juice	705.3	712.3	718.2	723.8	729.3	734.5
Bottled water	382.6	400.0	416.6	433.2	449.3	465.1
Functional drinks	113.8	130.9	146.8	158.6	169.7	178.2
Concentrates	132.0	129.3	127.4	125.8	124.5	123.5
RTD tea	11.6	13.9	15.3	16.5	17.7	18.6
RTD coffee	115.6	121.4	126.9	131.9	136.6	142.0
Soft drinks	3,152.3	3,186.5	3,220.2	3,248.4	3,276.7	3,303.8

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*
Note: *Excludes powder concentrates*

Forecast Off-trade Sales of Soft Drinks by Sector: Value 2006-2011

A$ million

	2006	2007	2008	2009	2010	2011
Carbonates	3,566.4	3,563.9	3,563.7	3,560.4	3,562.1	3,562.7
Fruit/vegetable juice	1,315.5	1,327.8	1,341.3	1,353.2	1,365.3	1,376.2
Bottled water	556.3	585.3	612.7	640.0	667.2	694.3
Functional drinks	573.8	665.6	750.1	817.6	883.0	925.9
Concentrates	244.5	237.2	231.2	225.9	221.4	217.4
RTD tea	37.2	45.1	50.0	54.5	58.9	62.4
RTD coffee	411.8	430.3	447.6	463.2	477.1	493.8
Soft drinks	6,705.6	6,855.2	6,996.5	7,114.9	7,234.9	7,332.7

Source: *Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates*

Off-trade Sales of Soft Drinks by Sector and Distribution Format: % Analysis 2006

% off-trade

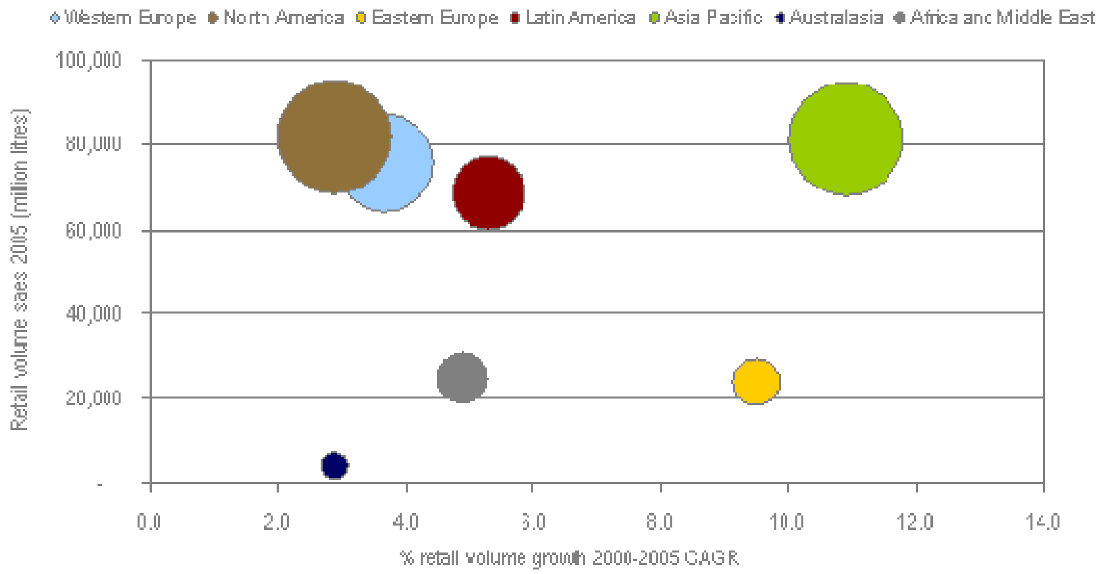
	C	F/VJ	BW	FD	Con	RTD T
Supermarkets/hypermarkets	65.5	72.0	56.5	27.5	93.0	64.0
Independent food stores	4.5	1.5	1.5	10.5	4.0	2.0
Convenience stores	19.0	23.5	35.5	56.5	1.5	33.0
Discounters	3.0	2.0	3.0	1.5	1.5	0.0
Direct sales	-	-	1.0	-	-	-
Vending	7.0	0.5	2.0	3.5	0.0	1.0
Others	1.0	0.5	0.5	0.5	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

	RTD C
Supermarkets/hypermarkets	50.0
Independent food stores	19.0
Convenience stores	30.0
Discounters	0.0
Direct sales	-
Vending	1.0
Others	0.0
Total	100.0

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*
Key: *C = Carbonates, F/VJ = Fruit/Vegetable Juice, BW = Bottled water, FD = Functional drinks, Con = Concentrates, RTD T = RTD tea, RTD C = RTD coffee, ASD = Asian Speciality Drinks*
Note: *Excludes powder concentrates*

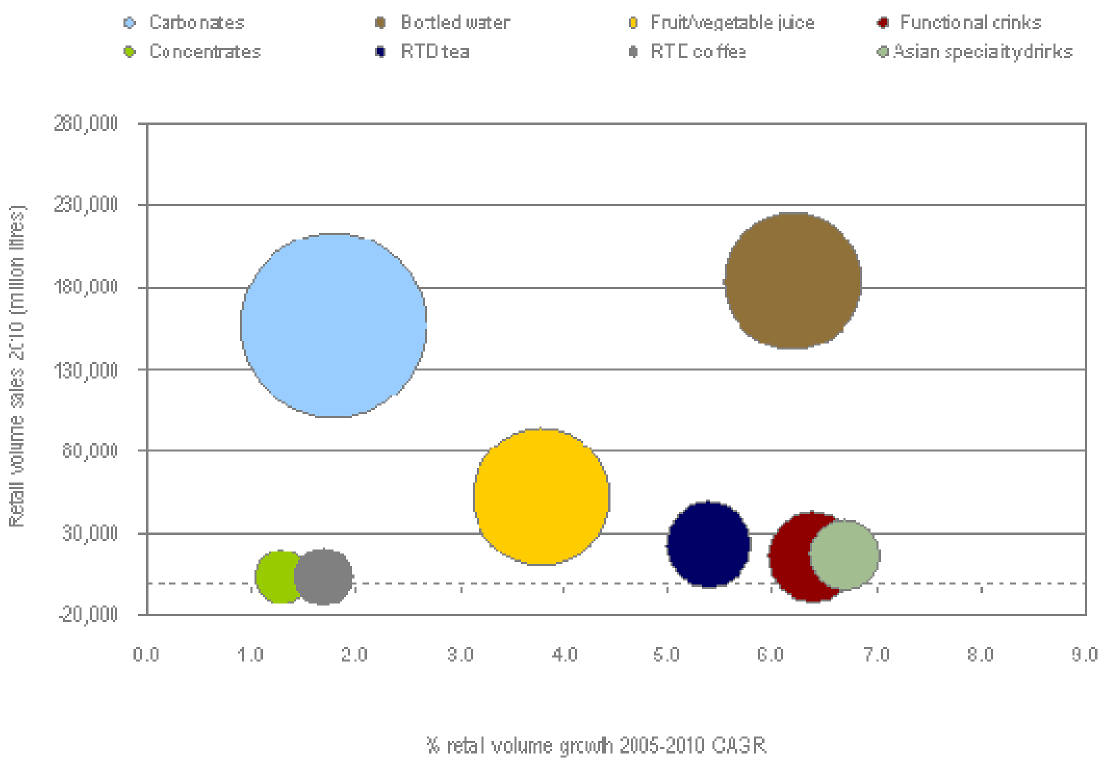
THE WORLD MARKET FOR SOFT DRINKS

Regional Sales of Soft Drinks 2000-2005



Source: *Euromonitor International*
Note: *Size of the bubble denotes retail value sales 2005 (US$ million rsp)*

Global Sector Forecast of Soft Drinks 2005-2010



Source: *Euromonitor International*
Note: *Size of the bubble denotes retail value sales 2010 (US$ million rsp year-on-year exchange rate)*

HOT DRINKS IN NEW ZEALAND

Trading-up leads to higher value growth in 2005

Hot drinks in New Zealand recorded impressive value growth in 2005, compared to the previous year. In spite of limited volume growth, the corresponding higher value growth was also a reflection of consumers continuing to trade-up to premium products in both coffee and tea. New Zealander's taste for coffee and tea evolved over the latter part of the review period and there was a significant demand for premium coffee varieties such as flavoured instant coffee as well as green tea and fruit/herbal tea. The rising penetration of premium varieties in coffee and tea contributed enormously to the overall growth of hot drinks on the back of consistently declining demand for mature standard instant coffee and black standard tea.

Tea and coffee in different directions

The significant changes in coffee consumption in cafés and vending machines with more refined products, spanning from cappuccino to latte, available in these facilities started to flow into the retail channels enabling consumers to emulate the café experience at home. Furthermore, the rising penetration of coffee appliances and diverse coffee flavours in plungers and pod formats also made the novel coffee experience at home quick and clean with the touch of a button. In contrast, tea took a different direction with green tea and fruit/herbal tea normally available in retail sales starting to appear in food service outlets. The complementary nature of products available in both channels not only helped tea and coffee at the premium end but also provided consumers with tea and coffee experiences according to international trends.

Nestlé leading from the front

Hot drinks is highly competitive in New Zealand with many multinational and local players present. Nestlé New Zealand maintained the lead position in hot drinks thanks to the dominance of its Nescafé and Milo brands. For the benefit of these two brands, Nestlé invested heavily in marketing in 2005, particularly in conjunction with Milo's 70 years of presence in New Zealand, as well as part of the on-going promotions associated with Nescafé. Other significant players in hot drinks were Cerebos Gregg's, The Bell Tea Co and Dilmah New Zealand.

Supermarkets/hypermarkets takes the lead

Similar to previous years within the review period, retail sales of hot drinks were dominated by supermarkets/hypermarkets in 2005. This channel was quick to respond to changing consumer demands with café style coffee and novel green and fruit/herbal tea flavours. Although private label products are not as highly developed in New Zealand as in other developed countries, recent improvements such as the introduction of single origin tea, green tea and decaffeinated coffee implies that private label is becoming an emerging threat to branded products.

Higher value growth expected over the forecast period

Increased consumer sophistication and product diversity are expected to be the key attributes leading to higher value growth in hot drinks over the forecast period than that demonstrated during the review period. However, economic stagnation, resulting in lower household income and limited consumer spending in food service channels, will likely impact the performance of individual categories within hot drinks to varying degrees. Health and wellness trends are predicted to aid further penetration of green tea and fruit/herbal tea. In addition, higher demand for gourmet style coffee will also likely help sustain higher value growth than the corresponding volume growth over the forecast period.

Forecast Retail Sales of Hot Drinks by Sector: Volume 2005-2010

Tonnes

	2005	2006	2007	2008	2009	2010
Coffee	2,743.6	2,814.9	2,880.8	2,941.1	2,995.1	3,042.5
Tea	2,984.2	2,961.2	2,930.0	2,892.8	2,847.9	2,795.2
Other hot drinks	2,594.1	2,637.3	2,673.7	2,703.1	2,725.2	2,739.2
Hot drinks	8,321.9	8,413.3	8,484.6	8,537.0	8,568.2	8,576.9

Source: Official statistics (Statistics New Zealand), trade press (FMCG, Grocers Review, C-Store, Food Service), company research, trade interviews, Euromonitor International estimates

Forecast Retail Sales of Hot Drinks by Sector: Value 2005-2010

NZ$ million

	2005	2006	2007	2008	2009	2010
Coffee	125.0	129.1	132.5	135.8	138.7	141.3
Tea	70.8	70.6	70.1	69.3	68.2	66.8
Other hot drinks	38.0	39.4	40.6	41.8	43.0	44.0
Hot drinks	233.9	239.1	243.3	246.9	249.9	252.1

Source: Official statistics (Statistics New Zealand), trade press (FMCG, Grocers Review, C-Store, Food Service), company research, trade interviews, Euromonitor International estimates

HOT DRINKS IN AUSTRALIA

Attention Focused on Ageing Instant Coffee Consumers Demographic

Manufacturers in the instant coffee sector in Australia are concerned that the demographic profile of instant coffee users is rapidly ageing and is now clearly dominated by the over 50s. Younger generations are more attracted to domestic espresso machines of which Australia has one of the highest penetration levels in the world. Nestlé Australia Ltd has introduced several initiatives to modernise the image of instant coffee including new formats, coffee sticks, and flavoured coffee pods.

the Café Culture Is at the Heart of Australian Society

The growth in on-trade consumption of espresso coffee continues to boom as the so-called café culture becomes an increasingly entrenched part of the Australian social scene. Meeting friends and even business acquaintances informally for a cup of coffee is a daily occurrence for many Australians. Along with this growth has come a rapid expansion in the number of chained and franchise coffee outlets. Starbucks and Gloria Jean's are now firmly established in key cities such as Sydney, Brisbane, Melbourne and Canberra, and even some rural areas. This café culture has led to new coffee blends being introduced in off-trade outlets, enabling consumers to produce on-trade coffees at home using domestic espresso machines.

Green Tea Gives the Tea Sector A Much-needed Shot in the Arm

Green tea has recently been discovered by Australians and is now driving sector growth. Green tea is purchased mainly as tea bags and much of the volume is in fact flavoured, usually with citrus and fruit extracts. Across the tea sector further examples can be found of consumers looking for more interesting flavours as well as properties that are more beneficial to health than those offered by black standard tea. This extends to fruit/herbal tea where rooibos has now appeared and is gaining in popularity. Other examples include premium black teas such as single-estate teas and white tea, as well as flavoured black teas.

Mixed Response To Health and Wellness Trends in Hot Drinks

The strong growth in green tea can be directly attributed to perceived health and wellness benefits, such as anti-oxidant content, associated with this product. However, and by contrast, caffeine is almost a non-issue in Australia. Decaffeinated coffee represents a small share of the total coffee sector, in 2006 showing 2% growth in terms of retail volume. Decaffeinated tea is also a very small part of the total tea sector. However, people are turning to green tea, and, to a lesser extent, other herbal teas, as naturally decaffeinated products.

Traditional Brands Dominate the Market

Across each of the sectors within the Australian hot drinks market brand shares remain stable. Several brands dominate their sectors, such as Milo in malt-based hot drinks, and Nescafé in instant coffee. Both the tea sector and the fresh coffee sector are far more competitive but the leading brands in each of these sectors are becoming increasingly secure and many smaller players face growing marginalisation.

Forecast Sales of Hot Drinks by Sector: Volume 2006-2011

tonnes	2006	2007	2008	2009	2010	2011
Coffee	20,313.0	20,743.4	21,126.5	21,457.3	21,746.4	21,979.8
Tea	13,709.1	13,870.0	14,006.0	14,125.9	14,234.2	14,322.2
Other hot drinks	18,042.1	18,429.6	18,750.2	19,044.8	19,322.0	19,577.3
Hot drinks	52,064.2	53,043.0	53,882.7	54,628.0	55,302.5	55,879.2

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

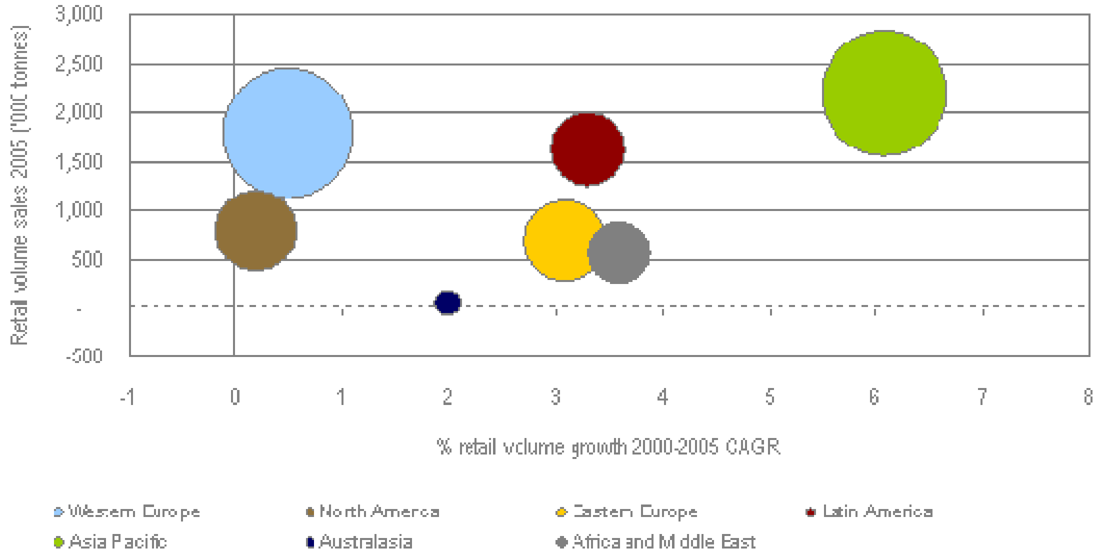
Forecast Sales of Hot Drinks by Sector: Value 2006-2011

A$ million	2006	2007	2008	2009	2010	2011
Coffee	754.0	773.4	789.5	804.3	816.9	828.2
Tea	316.8	323.0	328.4	333.3	338.0	342.1
Other hot drinks	194.4	199.1	203.2	207.0	210.6	214.0
Hot drinks	1,265.2	1,295.5	1,321.1	1,344.6	1,365.5	1,384.2

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

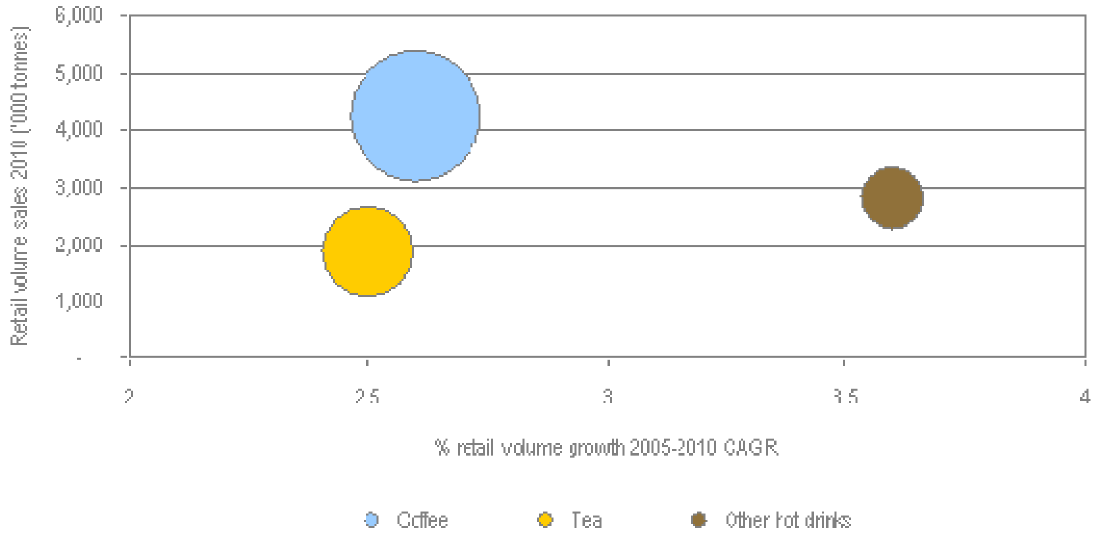
THE WORLD MARKET FOR HOT DRINKS

Regional Sales of Hot Drinks 2000-2005



Source: *Euromonitor International*
Note: *Size of the bubble denotes retail value sales 2005 (US$ million rsp)*

Global Sector Forecast of Hot Drinks 2005-2010



Source: *Euromonitor International*
Note: *Size of the bubble denotes retail value sales 2010 (US$ million rsp year-on-year exchange rate)*