APPENDIX

Charlie's Group Limited

Independent Adviser's Report

On the full takeover offer from Asahi Beverages New Zealand Limited

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July 2011

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Glossary

Glossary	
Term	**Definition**
90% Minimum Acceptance Condition	A condition of the Asahi Offer that requires that Asahi receive acceptances to take its shareholding to 90% or more of the Charlie's Group shares on issue
ACCC	Australian Competition and Consumer Commission
Asahi	Asahi Beverages New Zealand Limited, a wholly owned subsidiary of Asahi Group
Asahi Group	Asahi Group Holdings Ltd
Asahi Offer	Asahi's offer for 100% of the shares in Charlie's Group at $0.44 per share
Charlie's Group	Charlie's Group Limited
Coca-Cola Amatil	Coca-Cola Amatil Limited
Collins Asset Management	Collins Asset Management Limited, the largest holder of Charlie's Group shares
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMCG	Fast Moving Consumer Goods
Frucor	Frucor Beverages Limited
FY2009	The financial year ended 30 June 2009
FY2010	The financial year ended 30 June 2010
FY2011	The financial year ended 30 June 2011
FY2012	The financial year ending 30 June 2012
Gallard	Gallard and Mirage Groups
Grant Samuel	Grant Samuel & Associates Limited, the Independent Advisor to Charlie's Group shareholders
HoReCa	Hotel, restaurant and café sector
Lock-In Agreements	The agreements between Asahi and the Locked-In Shareholders who have irrevocably agreed to accept their shares into the Asahi Offer within 1 business day of the Offer being made
Locked-In Shareholders	Collins Asset Management, Tim Cook and trusts associated with Stefan Lepionka, Marc Ellis, and Simon Neal, who collectively hold 52.17% of the shares in Charlie's Group
NZSX	New Zealand Stock Exchange
Offer	the Asahi Offer
OIO	Overseas Investment Office
Phoenix	Phoenix Organics Limited
SG&A	Selling, general and administration expenses
Spectrum	Spectrum Resources Limited
VWAP	Volume weighted average share price

Executive Summary

Charlie's Group operates in the highly competitive non-alcoholic beverage sector and has a proven track record of successfully developing and launching new products. The company has experienced rapid growth over the past 4 years and is forecasting to more than double its earnings in the financial year to 30 June 2012 on the back of a full year of supplying Coles supermarkets and securing supply to Woolworths Australia's stores nationally. The release of its 2012 budget to the market would, in the absence of the Asahi Offer, have a positive impact on the price at which Charlie's Group shares are traded and on the appeal of Charlie's Group as a takeover target.

The Asahi Offer price of $0.44 falls within our valuation range of $0.41 to $0.45 per Charlie's Group share and represents a full and fair multiple of Charlie's Group's forecast EBITDA for the year to 30 June 2012 of 11.4 times. Asahi has had the opportunity to undertake due diligence on Charlie's Group and its Offer demonstrates Asahi's confidence in the achievability of the 2012 budget.

The Asahi Offer is conditional on, among other things, Asahi receiving Overseas Investment Office approval to acquire Charlie's Group, and Asahi receiving acceptances to take its shareholding in Charlie's Group to 90% or above. The 90% minimum acceptance condition may be waived at Asahi's discretion.

Asahi has also entered into Lock-In Agreements with trusts associated with the founders of Charlie's Group (Stefan Lepionka, Marc Ellis and Simon Neal), the company's major shareholder Collins Asset Management and Tim Cook, who collectively hold 52.17% of Charlie's Group, that these shareholders will accept the Asahi Offer. As a result of these agreements Asahi is well on its way to achieving its minimum acceptance condition of 90% or more of the Charlie's Group shares on issue. The fact that Asahi has already secured acceptances of more than half of the Charlie's Group shares on issue is also a major impediment to any competing takeover offers for the shares in Charlie's Group.

The remaining Charlie's Group shareholders now face a decision as to whether they accept the Asahi Offer, which represents a significant premium on the recent trading price for Charlie's Group shares and a strong multiple of budgeted earnings for 2012, or whether they retain their investment in Charlie's Group in the anticipation of even greater growth and the possibility of obtaining a higher price for their shareholding at some later date. There are risks associated with not accepting the Asahi Offer, in particular the risk that Charlie's Group's trading performance does not continue to improve at the same rate as is forecast for 2012, that no subsequent higher offer from Asahi is forthcoming, or Asahi lets its Offer lapse.

If Asahi is successful in acquiring 100% of Charlie's Group, the company will be delisted from the New Zealand Stock Exchange and shareholders will receive a cash payment of $0.44 for each Charlie's Group share they hold.

If Asahi is not successful in acquiring 100% of Charlie's Group then either:

- **Asahi will allow its Offer to lapse and not acquire any shares in Charlie's Group; or**
- **Asahi may choose to increase its Offer price or extend its Offer period in the hope of securing sufficient acceptances to take its shareholding to at least 90% of Charlie's Group. Once Asahi receives acceptances for 90% or more of the shares in Charlie' Group it can compulsorily acquire the remaining shares in Charlie's Group under the provisions of the Takeovers Code; or**
- **Asahi may choose to waive its 90% minimum acceptance condition in which case, provided the Overseas Investment Office has consented to the acquisition of Charlie's Group by Asahi, Asahi will acquire all of the shares accepted into its Offer and own between 52.17% and 90% of Charlie's Group. If this occurs the remaining minority shareholders will be in a position of limited influence and Asahi will have effective control over Charlie's Group.**

1. Terms of the Asahi Offer

1.1 Background to the Offer

Charlie's Group Limited (**Charlie's Group**) a company listed on the New Zealand Stock Exchange (**NZSX**) has received a "notice of intention to make a full takeover offer" from Asahi Beverages New Zealand Limited (**Asahi**), a wholly owned subsidiary of Asahi Group Holdings, Ltd. (**Asahi Group**), for 100% of the shares in Charlie's Group. Under the rules of the Takeovers Code Asahi may make its offer at any time between 19 July 2011 and 3 August 2011. It is expected that Asahi will make its full takeover offer on or about 21 July 2011. Asahi is seeking to acquire 100% of Charlie's Group at a price of $0.44 in cash per share (the **Asahi Offer** or the **Offer**), a total of $129.3 million. Charlie's Group's market capitalisation on 1 July 2011, the last trading day prior to the announcement of the Asahi Offer, was $82.3 million.

The Charlie's Group Board recently received unsolicited and competing proposals for the acquisition of shares in Charlie's Group. The Asahi proposal was superior to the competing proposals and the Board granted Asahi a brief period of exclusivity in which to undertake due diligence. The Asahi Offer has been formulated on the basis of Asahi's due diligence on Charlie's Group.

Importantly, following completion of its due diligence Asahi has entered into agreements (the **Lock-In Agreements**) with various shareholders of Charlie's Group (the **Locked-In Shareholders**) who have irrevocably agreed to accept their shares into the Asahi Offer within 1 business day of the Offer being made. As a result of the Lock-In Agreements Asahi will hold acceptances of 52.17% of Charlie's Group shares from the business day following the date on which it makes its Offer. The Locked-In Shareholders are:

Locked-In Shareholders	
Shareholder	**% shareholding**
Collins Asset Management Limited (**Collins Asset Management**)	19.45%
Trusts associated with Stefan Lepionka (Charlie's Group CEO, Director and founder)	14.11%
Trusts associated with Marc Christopher Gwynne Ellis (a Charlie's Group Director and founder)	13.99%
Trusts associated with Simon Neal (a Charlie's Group founder)	4.07%
Tim Cook (Director of Charlie's Group and Managing Director of Collins Asset Management)	0.54%
Total	**52.17%**

The ability of the Locked-In Shareholders to terminate the Lock-In Agreements is very limited and includes circumstances in which Asahi fails to make a full takeover offer for Charlie's Group at $0.44 per share, or Asahi failing to make an application for consent to acquire Charlie's Group to the Overseas Investment Office (**OIO**) within specified dates. Asahi has already applied to the OIO and, by the time this report is published and distributed Asahi will have made its Offer – thereby satisfying both of these conditions. Asahi may terminate the Lock-In Agreements if any of the conditions of its Offer are not fulfilled and Asahi gives notice that its Offer has lapsed.

1.2 Details of the Asahi Offer

The Asahi Offer is for 100% of the shares in Charlie's Group. Asahi is offering to pay $0.44 in cash for each Charlie's Group share accepted into the Offer. The Asahi Offer is open for acceptance from 21 July 2011 to 19 August 2011, unless otherwise extended.

The Asahi Offer is conditional upon:

- Asahi receiving acceptances that result in Asahi holding or controlling 90% or more of the shares in Charlie's Group (the **90% Minimum Acceptance Condition**);
- Asahi obtaining all consents required from the OIO to complete the acquisition of Charlie's Group;
- the Charlie's Group business being carried on in the normal and ordinary course;
- no dividends or distributions being declared or paid and no Charlie's Group shares or other securities being issued;
- no event occurring that has, or could reasonably be expected to have, a material adverse effect on the financial position, operations or prospects of Charlie's Group. This condition does not apply to events that generally affect the industry in which Charlie's Group operates, or events caused by Asahi entering into any other transaction or by virtue of a restraint of trade on Asahi in respect of the distribution of products that are the same as or similar to those of Charlie's Group;
- the Offer becoming unconditional within 30 days of the closing date as extended; and
- other conditions which are standard for an Offer of this kind.

Asahi may waive any condition other than the requirement for OIO approval. Specifically, Asahi may waive its 90% Minimum Acceptance Condition provided that it has secured sufficient acceptances to take its shareholding to more than 50% of Charlie's Group. By virtue of the Lock-In Agreements Asahi will hold sufficient acceptances to take its shareholding to 52.17% of Charlie's Group from 1 business day after the date on which it makes its Offer. Under the terms of its Offer, once Asahi has received OIO approval and the 90% Minimum Acceptance Condition has been either satisfied or waived, and provided the Offer has been open for a minimum of 30 days, Asahi <u>must</u> declare its Offer unconditional (unless there has been a breach of another condition at that date).

Asahi may also make variations to its Offer as permitted by the Takeovers Code. In Asahi's case permissible variations include:

- the ability to increase the Offer price; and
- the ability to extend the Offer period.

Asahi may only vary its Offer by giving notice of such variation at least 14 days before the end of the Offer period. The Offer may not be extended beyond 18 October 2011 unless the 90% Minimum Acceptance Condition has not yet been met by this date, in which case, rule 24B of the Takeovers Code permits that Asahi may waive the 90% Minimum Acceptance Condition and extend the offer period for a maximum of a further 60 days (ie: to 17 December 2011). The 14 day notice period does not apply to a rule 24B extension and such extension may be notified at any time on or before 18 October 2011.

If the Offer is declared unconditional the cash consideration will be paid not later than 7 days after the later of the Offer being declared unconditional, the date on which an acceptance is received, or the closing date of the Offer.

1.3 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the New Zealand Stock Exchange Listing Rules and the Companies Amendment Act 1963 requirements governing the conduct of company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and, on the basis of proper disclosure, are able to make informed decisions on shareholding transactions that may impact on their own holdings.

Charlie's Group is a ***Code Company*** for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the ***exceptions*** to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) **by an acquisition under a full offer**;

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if: (i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(f) (ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase;

(g) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both Asahi and Charlie's Group as ***bidder*** and ***target*** respectively. Charlie's Group's response to the Asahi Offer, known as a ***target company statement***, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

2. Scope of the Report

2.1 Purpose of the Report

The Independent Directors of Charlie's Group have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report to comply with the Takeovers Code in respect of the Asahi Offer. Grant Samuel is independent of Charlie's Group and Asahi and has no involvement with, or interest in, the outcome of the Asahi Offer.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on ***the merits of an offer***. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Target Company statement to be sent to all Charlie's Group shareholders. This report is for the benefit of the shareholders of Charlie's Group. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Asahi Offer. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Asahi Offer by reviewing the following factors:

- the estimated value range of Charlie's Group and the price of the Asahi Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Charlie's Group shares in the absence of the Asahi Offer;
- any advantages or disadvantages for Charlie's Group shareholders of accepting or rejecting the Asahi Offer;
- the current trading conditions for Charlie's Group;
- the timing and circumstances surrounding the Asahi Offer;
- the attractions of Charlie's Group's business; and
- the risks of Charlie's Group's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt appendices A to E form part of this report.

3. Overview of the Non-Alcoholic Beverage Industry in New Zealand and Australia

3.1 Background

The non-alcoholic beverage market can be broadly segmented into four categories:

- Juice-based beverages;
- Soft-drinks;
- Sports and energy drinks; and
- Bottled waters.

Each of these categories falls within the wider Fast Moving Consumer Goods (**FMCG**) industry. The majority of non-alcoholic beverages are sold as either a branded product to retail stores and food service outlets, or for use in "private label" or "own brand" products owned by the distributor or retailer. In general the FMCG industry is a highly brand focused industry where brand perception can have a major impact on sales volumes and new product development is in constant demand.

Juice-based beverages

Juice-based beverages take a variety of forms and vary widely in nutrition content. The main juice-based beverages are "100% juice" beverages that contain only fruit juice[1] and are made from either fresh juice (including aseptic or frozen juice) or from juice concentrates, and "juice drinks" which generally contain reconstituted juice and additives such as water, sugar, and high-fructose corn syrup. Both types of juice-based beverages may contain preservatives, vitamin and mineral enhancements, colourings and flavour additives. Juice drinks may also be carbonated. Both 100% juice products and juice drinks can be supplied at either chilled or ambient temperatures. For the purposes of this report blends of iced tea and juice as well as juice flavoured cordials have been treated as part of the juice-based beverage sub-sector.

Aseptic or frozen juice is considered fresh juice and is often used to enable out-of-season juice varieties to be stocked year-round. Juices may be either organic or not organic depending on the fruit source. Juice-based beverage manufacturers are exposed to seasonal variations in price of fruit and vegetable juices, which can increase substantially when growing conditions are poor or the product out-of-season.

Soft drink manufacture

Soft drinks comprise the largest proportion of the total non-alcoholic beverage segment and are often referred to as CSD's – carbonated soft drinks. In general the category comprises carbonated water, a sweetener, flavourings and other additives such as colours, preservatives, vitamins, minerals and herbs. Carbonated soft drinks are sold in a variety of packages (glass bottles, plastic bottles and tin cans) and sizes. Beverages that are not considered soft drinks are juices, energy drinks, milk drinks, and hot beverages such as tea, coffee and hot chocolate. The global soft drink market is dominated by a few, very large, multinational corporations including The Coca-Cola Company and PepsiCo.

The manufacture of soft drinks is a relatively inexpensive process as the key ingredients are sugar (or artificial or other natural sweetener) and water. The large multinational beverage corporations supply their product globally by licencing their beverage syrup to bottlers and distributers around the world. By way of example The Coca-Cola Company licences its brands to Coca-Cola Amatil Limited (**Coca-Cola**

[1] Although Food Standards Australia New Zealand permits 100% juice to contain 40g/kg of added sugar (Standard 2.6.1), for the purposes of comparability juice based beverages with any additives are considered "juice drinks"

Amatil) in Australia, New Zealand, Fiji, Indonesia and Papua New Guinea. Coca-Cola Amatil manufactures The Coca-Cola Company's branded products in these territories using beverage syrup purchased from The Coca-Cola Company. In this way large global soft drink brand owners are able to generate very high royalty revenues from their international licencee network.

Sports and energy drinks

Sports drinks are marketed as electrolyte replacement drinks for active sports people. There are very specific standards that apply to the production of sports (electrolyte) drinks in New Zealand and Australia that regulate the sodium, dextrose, fructose, glucose, maltodextrin and sucrose content and the labelling requirements of sports drinks. Sports drinks can be carbonated but are usually still to enable easier hydration during physical activity.

Energy drinks are advertised as beverages that increase energy and in general contain additives such as caffeine, vitamins and herbs (ginseng, guarana etc). The energy drink market is a growth category and current trends include the production of small volume "energy shots" as well as the marketing of energy drinks in very large cans. The Australian and New Zealand energy drink market is dominated by "V", an energy drink brand developed and owned by Frucor Beverages Limited (**Frucor**).

Bottled waters

The bottled water category has experienced rapid growth over the past 20 years. The category encompasses still spring and mineral waters, carbonated water, flavoured water, distilled water and water enhanced with vitamins.

3.2 New Zealand Overview

According to the New Zealand Juice and Beverage Association Inc New Zealanders spend more than NZ$1.2 billion per annum on non-alcoholic cold beverages and consume more than 640 million litres of soft drinks, fruit juice, bottled water, sports drinks and energy drinks.

The major non-alcoholic beverage distribution channels are the grocery channel and the traditional "route" channel. The supermarket chains including Progressive Enterprises (Countdown, Woolworths and Foodtown) and Foodstuffs (New World, Pak'n'Save and Four Square) totally dominate the grocery segment in New Zealand. The traditional "route" channel largely represents sales to the food service sector including hotels, restaurants and cafés (**HoReCa**) – both independently owned and chain based HoReCa outlets, as well as convenience stores and petrol stations.

New Zealand – Juice Market

New Zealand's largest juice company, Frucor, is owned by a Japanese company, Suntory Holdings. In the juice category Frucor produces a range of 100% juices as well as juice drinks. Frucor also has an organic brand - Allganics. Charlie's Group is the second largest juice company in New Zealand and is described in detail at Section 4 of this report. Charlie's Group also produces both 100% juice products and juice drinks specialising in the healthy premium beverage sub-segment, which comprises approximately 25% of the total beverage market. Charlie's Group produces several fresh juices which contain no additives and are not made from juice concentrate as well as a 100% organic brand - Phoenix. There are a number of other internationally owned companies that distribute juice-based beverage brands in New Zealand as well as some smaller privately owned New Zealand based companies producing products that compete in the healthy premium sub-segment.

There has been further consolidation in the New Zealand juice market in the past 2 years including Frucor's acquisition of Simply Squeezed in February 2009 and the withdrawal of Pinto Fruit Juice Company from the market in December 2009.

The table below provides an overview of the juice-based beverage market in New Zealand by brand ownership:

New Zealand – Juice-Based Beverage Market

Company	Brands
Frucor	Just Juice, Simply Squeezed, fresh up, McCoy, Citrus Tree, G Force, Allganics Organic · New Zealand, Supreme Country Style, Arano Juice
Charlie's Group	Charlie's, Juicy Lucy, Phoenix Organic New Zealand
Coca-Cola Amatil	Keri Juice Company, Thexton's
Heinz Wattie's	golden circle made under the sun
Other brands (Internationally owned)	V8, POM Wonderful, Ocean Spray, Ribena
Other brands (NZ owned)	Nekta, teza Juiced Teas of New Zealand, Ti Tonics, Organic Apple & Orange Juice

New Zealand – Other non-alcoholic beverage market

The remainder of the non-alcoholic beverage market is comprised of soft drinks, energy and sports drinks and bottled waters (still, sparkling and flavoured). Charlie's Group participates in the soft drink category with its Phoenix carbonated drinks and in the water category with its Charlie's and Phoenix branded waters. The two largest non-alcoholic beverage manufacturers in New Zealand, excluding juice-based beverages, are Coca-Cola Amatil and Frucor. An overview of each entity's principal brands is outlined in the table below:

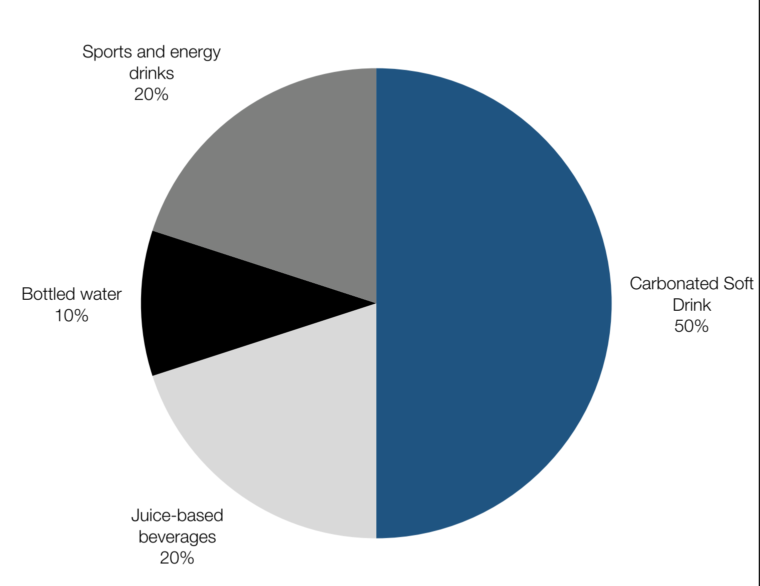
New Zealand – Other Non-Alcoholic Beverage Market			
	Frucor	**Coca-Cola Amatil**	**Charlie's**
Soft Drink Brands:	Appletiser Just Juice Bubbles frank pepsi MAX Mountain Dew 7UP	Coca-Cola Coca-Cola zero Diet Coca-Cola Sprite Sprite Zero Fanta Lift L&P Schweppes Lemon lift PLUS	Phoenix
Energy/Sports Drink Brands:	V Rockstar Energy Drink mizone	Mother POWERADE e2	
Water brands:	h2go mizone supplement water nznatural	deepspring kiwi blue pump pumped vitaminwater	Charlie's Phoenix

The balance of the non-alcoholic beverage market is comprised of a range of multi-national and domestic manufacturers distributing single brands or a small collection of brands through both the grocery and route channels. These companies include Bundaberg, Heinz Wattie's (Golden Circle and LOL), CCJ Trustee Company (Demon Energy, Illicit Soft Drink, Loaded Isotonic Sports Drink, Zero Water), Red Bull, CH'I, Waiwera Water and The Antipodes Water Company.

3.3 Australian Overview

The Australian food and beverage sector is the largest manufacturing subsector in the country and the value of the non-alcoholic beverage market alone is estimated by the Australian Competition and Consumer Commission (**ACCC**) to be A$5 billion to A$6 billion per annum. The make up of the Australian non-alcoholic beverage market by revenue contribution is shown in the chart below:

Australian Non-Alcoholic Beverage Market by Revenue Contribution



Source: ACCC estimates based on figures provided by market participants, 2010

As with New Zealand the large supermarket chains wield significant purchasing power. The market is dominated by Coles and Woolworths who control approximately 25% of all retail spending within Australia, and approximately 75% of the total grocery market. Other smaller grocery chains include IGA, Aldi, Franklins and SPAR Australia. Australia also has a number of small specialty retailers such as Thomas Dux (owned by Woolworths), David Jones Food Halls and Harris Farm. The grocery channel is estimated by the ACCC to account for approximately 60% of the gross revenue of the non-alcoholic beverage industry with "route" distribution accounting for 30% and petrol station and convenience stores making up the balance. There is a significant trend in Australia towards specialty and traditional fresh food outlets such as fish markets, greengrocers, butchers and bakeries instead of supermarkets. Current consumer spending patterns demonstrate a trend towards fresh, healthy and natural snacks and meal options as well as increased demand for convenience.

Australia – Juice-based Beverage Market

The ACCC estimates the total fruit juice market (both chilled and ambient) to account for annual sales of between A$700 – A$800 million and the cordial market a further A$150 million. The major juice companies in Australia include Asahi (via Schweppes Australia), Kirin (via National Foods), Heinz Australia, P&N Beverages and Coca-Cola Amatil. Approximately 7% of chilled juice in the grocery category is "private label" or "own brand". As with New Zealand there has been consolidation in the Australian juice market. Kirin has been particularly acquisitive, purchasing National Foods in late 2007, Dairy Farmers in 2008 and the remaining shares in Lion Nathan in 2009. Other recent transactions have included HJ Heinz's acquisition of Golden Circle and Suntory's acquisition of Frucor, both of which occurred in late 2008. In early 2009 Asahi acquired Schweppes Australia and has recently made offers for certain juice and water assets of P&N Beverages, after the ACCC rejected its bid to acquire all of P&N. The table below provides an overview of the juice-based beverage market in Australia by brand ownership:

Australia – Juice-Based Beverage Sub-Sector

Company	Brands
Asahi	Spring Valley, Cottee's
Kirin	Daily Juice Company, Berri, Just Juice, Mildura, Sunnyboy
P&N Beverages	Extra Juicy, Smart Juice, Apple Time, Glo, Toddler Pops, Pop Tops, Play Naturals, Go Coco
Heinz Australia	Golden Circle, Original Juice Co.
Coca-Cola Amatil	Goulburn Valley, Fruit Box
Charlie's Group	Charlie's, Phoenix
Other brands	Nudie, Ribena, V8, Ocean Spray, Orchy, Boost, Emma & Tom's

Soft-Drink, Sports Drinks and Energy Drinks

As with New Zealand the remainder of the non-alcoholic beverage market in Australia is made up of a range of soft drinks, bottled still, sparkling and flavoured water and sports and energy drinks. In Australia carbonated soft drinks account for almost 50% of the total non-alcoholic beverage industry sales. The largest non-alcoholic beverage manufacturers in Australia are Coca-Cola Amatil, Asahi (Schweppes), P&N

Beverages and Frucor. Private label products comprise approximately 1% of the carbonated soft drink market. An overview of each company's principal brands is outlined in the table below:

Australia – Soft-Drink Sub-Sector

	Coca-Cola Amatil	P&N Beverages	Asahi (Schweppes)	Frucor
Soft Drink Brands:	Coca-Cola, Diet Coca-Cola, Coca-Cola Zero, Sprite, Sprite Zero, Fanta, Lift, Appletiser, Grapetiser, Kirks, Bisleri, Nestea	Waterfords, Tru-Blu, Diet Rite, Tiger Ginger Beer, Traffic Stopper	Schweppes, Passiona, Pepsi, Solo, Sunkist, Mountain Dew, 7Up	
Energy/ Sports Drink Brands:	Mother, Powerade No Sugar, Powerade	Wicked Energy Drink, Play Sports Water	Gatorade, Monster Energy	V, Rockstar Energy Drink, Protein Revival
Water brands:	Mount Franklin, Deep Spring, Pump, Pumped, Vitaminwater, Peats Ridge Springs, Neverfail	Frantelle, Zero Sugar VW Vitamin Water, Tru-Blu	Spring Valley, Cool Ridge, Fiji Water	H2go, Mizone, Evian

3.4 Benchmarking

The key measures of profitability for beverage manufacturers are gross margin (revenues less the cost of sales) and the ratio of selling, general and administration expenses (**SG&A**) to revenue. The table below summarises some key metrics of various listed beverage manufacturers:

Comparative Trading Performance – Various Listed Beverage Companies[2]

Entity (currency)	Market Capitalisation (millions)	Total Assets (millions)	Revenue (millions)	Gross Margin	SG&A Expense Ratio	Return on Assets
Charlie's Group (NZD)	**79.3**	**26.4**	**34.9**	**47.2%**	**39.0%**	**6.4%**
Frucor Beverages (NZD)	na	579.1	404.9	45.0%	38.6%	4.4%
Coca-Cola Amatil (AUD)	8,709.3	5,277.8	4,587.1	47.8%	29.9%	9.4%
Lion Nathan National Foods[3] (AUD)	na	12,396.9	5,290.4	38.4%	28.2%	2.5%
Asahi Breweries (JPY)	751,247.6	1,405,358.0	1,489,460.0	36.7%	28.9%	4.3%
Kirin Holdings (JPY)	1,053,199.7	2,649,197.0	2,177,802.0	39.6%	28.7%	2.9%
Dr Pepper Snapple (USD)	8,976.3	8,859.0	5,636.0	60.2%	39.8%	7.1%
Average				**45.0%**	**33.3%**	**5.3%**
Weighted Average				**44.5%**	**31.2%**	**5.2%**

The above table shows that Charlie's Group's gross margin is in line with its competitors and with the wider industry. The SG&A expense ratio is at the upper end of the ratios shown in the table above and is a product of Charlie's Group's scale and stage of development. As Charlie's Group grows over time it can be expected that this ratio will reduce to more normal market levels. Lion Nathan National Foods Pty Limited, Asahi Breweries and Kirin Holdings all have brewing operations, which can distort margins and other key metrics. Dr Pepper has a very high gross margin largely because it licences its brands (Dr Pepper, Crush, Canada Dry, Sunkist soda, Schweppes, 7UP, A&W, RC Cola, Squirt, Sun Drop, Diet Rite etc) to various bottling operations both in the USA and globally which involves the sale of Dr Pepper beverage syrups to its licensees at high margins. According to its annual report for 31 December 2010 Dr Pepper's largest beverage concentrate customers are PepsiCo and The Coca-Cola Company.

3.5 Industry regulation

The food and beverage sector is subject to significant regulation with Food Standards Australia New Zealand setting standards for both countries including food safety requirements, requirements for food additives, and specific food standards for different types of food. The Ministry of Agriculture and Forestry in New Zealand and the Australian Quarantine Inspection Service are responsible for quarantine issues in their respective country. The Australia New Zealand Food Code also sets out the food labelling requirements, which are the same in both countries.

There are very few restrictions in imports and exports between Australia and New Zealand and no tariffs or duties provided the goods meet specific rules of origin.

3.6 Outlook

The food and beverage industry is exposed to declining margins as the ever-expanding grocery chains exert pressure on manufacturers to increase discounts, engage in new product developments and participate in low-margin in-store promotions. For the beverage sector the strong supermarket purchasing power has been counter-balanced by ongoing market consolidation with large, multinational

[2] Data in the table is shown for the year ended 31 December 2010 except for Lion Nathan National Foods Pty Limited which represents annualised earnings for the 9 months to 30 September 2010 and asset data as at 30 September 2010

[3] Lion Nathan National Foods Pty Limited is a wholly owned subsidiary of Kirin Holdings. However, the data shown here is for the Australian subsidiary only. Lion Nathan National Foods Pty Limited is also consolidated into the Kirin Holdings metrics also shown in this table

purchasers acquiring key beverage brands and restoring some of the balance of power in favour of suppliers.

In late 2010 Asahi made an offer to acquire P&N Beverages for A$364 million and the acquisition was due to be completed in November 2010. However, in March 2011 the ACCC declined Asahi's application to acquire P&N Beverages on the basis that it would significantly reduce competition in the Carbonated Soft Drink sub-sector, particularly in the private label market, and the transaction did not proceed. Subsequently Asahi has agreed to purchase only the juice and water business of P&N for A$188 million, subject to clearance from ACCC and the Australian Foreign Investment Review Board.

Smaller manufacturers will find it increasingly difficult to compete with the large multinational manufacturers in Australasia and as margins decline, many are likely to be forced out of business or be acquired. Barriers to entry are already high with substantial start up investment required in plant and equipment as well as investment in brand creation. There are significant economies of scale achievable in beverage manufacturing meaning that new entrants may have difficulty in meeting their overheads until a critical mass is achieved. Importantly however, there are also barriers to supply side substitution and switching between industry sub-sectors (for example from juice manufacture to energy drink manufacture) also requires significant investment.

4. Profile of Charlie's Group

4.1 Background

Charlie's Group was founded in 1999 by Stefan Lepionka, Marc Ellis and Simon Neal, and commenced trading at the end of that year. The founding principle of Charlie's Group was: "we don't use concentrates or anything artificial".

Charlie's Group obtained its NZSX listing in July 2005 when Charlie's Trading Company Limited was acquired by Spectrum Resources Limited (**Spectrum**), a listed shell company, for $11.7 million, satisfied by the issue of new Spectrum shares. Following the acquisition Spectrum was renamed Charlie's Group Limited.

In December 2005, Charlie's Group acquired Phoenix Organics Limited (**Phoenix**) for $10 million in cash. Phoenix was established in 1986 in Henderson as a supplier of premium organic soft drinks, juices and sparkling juice drinks. Today the Phoenix range represents approximately 30% of total group sales. As part of the acquisition Charlie's Group also acquired Phoenix's manufacturing plant in Henderson, Auckland. The land and buildings at Henderson were subsequently sold and leased back by Charlie's Group in 2010 to improve the company's capital efficiency.

In October 2007 Charlie's Group acquired the Australian juice-processing assets of Australia's Gallard and Mirage Groups (**Gallard**) for A$2 million. The Gallard facilities, which have been upgraded and expanded, are located in South Australia adjacent to a large citrus orchard, owned by the Gallard family, with an annual output of 6,000 tonnes of citrus fruit, the majority of which is supplied to Charlie's Group.

A substantial financial loss in 2009 resulted in a much-needed focus on costs and margins and a curtailment of marketing expenditure, which along with a weak economy has resulted in lacklustre growth for Charlie's Group in the New Zealand market.

Charlie's Group has demonstrated a high level of capability to develop new products and to produce innovative marketing campaigns. In October 2010, following a trial in 37 stores, Charlie's secured a deal to supply Coles stores nationally with 11 Charlie's products, with a further 6 products added in February 2011. In May 2011 the supply arrangement with Coles was extended to the Phoenix Organics brand in the "chilled" section of stores nationwide. In April 2011 Charlie's Group announced the supply of some of the Charlie's Old Fashioned Quencher range to Woolworths supermarkets across Australia.

Charlie's Group now exports to the Pacific Islands, Singapore, Malaysia, Korea, Hong Kong and the Middle East.

Charlie's Group share capital

Charlie's Group was acquired by Spectrum in July 2005. Immediately prior to the acquisition of Charlie's Group, Spectrum's shares were consolidated, with every 10 shares in Spectrum being consolidated into 1 share. As a result the total number of Spectrum shares on issue was reduced to 30,655,516. The acquisition of Charlie's Trading Company was satisfied by the issue of 145,750,000 new shares to the existing owners of Charlie's Trading Company at a price of 8 cents per share (a total of $11.7 million in Spectrum shares). Over the year to 30 June 2006 a further 110,760,000 new shares were issued at an average price of 11.2 cents through the issue and exercise of warrants, and via private placements. A further 6,200,000 shares were subsequently issued through the exercise of options at 10 cents per share. The average price at which Charlie's Group shares were issued was 9.3 cents. Charlie's current share capital is shown in the table below:

Charlie's Share Capital – 30 June 2011

Event	Average Issue Price Per Share	Shares Issued (000s)
Spectrum Shareholders after 10 for 1 consolidation	$0.080	30,656
Charlie's Vendors	$0.080	145,750
Placements and Warrants	$0.112	110,759
Exercise of Options	$0.100	6,700
Shares on issue at 30 June 2011	**$0.093**	**293,865**

As at 30 June 2011 Charlie's Group share price was $0.28 per share.

4.2 Operations

Charlie's Group operates under three main brands – "Charlie's", Phoenix and Juicy Lucy. Each brand is described in turn below:

Charlie's

The Charlie's range has been significantly expanded from the original range into five key categories:

Charlie's – Product Range

Range	Description	Number of Different Products
Honest Juices	▪ Not from concentrate, 100% juice	8
Quenchers	▪ 'Old fashioned' recipes with many flavours ▪ Largest contributor to Charlie's brand sales in the Australian market ▪ 15-25% juice, pure cane sugar and water	12
Smoothies	▪ Marketed as healthy option ▪ Not from concentrate	11
Charlie's Combi	▪ Not from concentrate, 100% juice ▪ Ambient aisle of the supermarket (not chilled)	5
Water	▪ 'Eco-bottle' made from Polylactic Acid which is derived from corn by-products ▪ Pure spring water, bottled at source at Kauri Springs, New Zealand	2
Total		**38**

Charlie's branded products are sold through both the "route" trade and grocery channels. Charlie's branded products are marketed as premium products and priced accordingly. Similar volumes are sold through each channel but the high discounts demanded by the major New Zealand and Australian grocery chains reduces the gross margin contribution from the grocery channel significantly when compared with route trade.

All of the Charlie's branded products, other than the water and combi products, are manufactured in Charlie's Group's Renmark plant in South Australia.

Phoenix

The key Phoenix product categories comprise:

Phoenix – Product Range		
Range	**Description**	**Number of Different Products**
Juices	▪ Organic juices ▪ Wide range of flavours	15
Soft drinks	▪ Marketed as 'classic versions of our favourite fizzies' ▪ Organic ingredients	8
Sparkling juices	▪ Healthy alternative to carbonated non-alcoholic drink offerings	5
Mineral Waters	▪ Still and sparkling options	2
Hot beverages	▪ Sold in 500ml bottles as a concentrate ▪ Added to hot water or milk to create hot beverages ▪ Chai no.1 seller in NZ HoReCa/Route channels	3
Total		**33**

Phoenix sales represent approximately 30% of the Charlie's Group's total sales. Phoenix is exported to Australia for distribution through both the route and grocery channels and is exported from New Zealand (along with some Charlie's products) to a further 13 markets in the Asia Pacific region.

All of Phoenix products, excluding Mineral Waters, are manufactured at Charlie's Group's Henderson plant in Auckland. The Henderson plant is forecast to operate at approximately 72% of its capacity on average over the year with a peak of 83% in November 2011.

Juicy Lucy

The key Juicy Lucy product categories comprise:

Juicy Lucy Product Range		
Range	**Description**	**Number of Different Products**
Fruit Juices	▪ 2L orange juice in original style and pulp-free range	3
Fruit Drinks	▪ 2L juice in grapefruit, pineapple and cranberry flavours	3
Nectars	▪ 2L juice in guava and mango flavours	2
Cocktails	▪ 2L cocktail in tomato flavour	1
Smoothies	▪ Feijoa flavour	1
Juice catering packs	▪ Lemon and lime flavours in 500ml packs	2
Total		**12**

The Juicy Lucy range was introduced in New Zealand in 2011 as a value range in response to competitive pressure, primarily from Frucor's Simply Squeezed range. It is targeted at mainstream consumers and increasingly the food service sector. Some Juicy Lucy products are made from a combination of freshly squeezed and concentrated juice. Juicy Lucy is being pitched as a flanker brand within the chilled juice and food service category giving Charlie's Group the opportunity to use its existing route to market to target a new set of consumers and outlets including volume customers in grocery, hotels, restaurants and bars.

Juicy Lucy products are all manufactured at Charlie's Group's Henderson plant in Auckland.

New Product Development

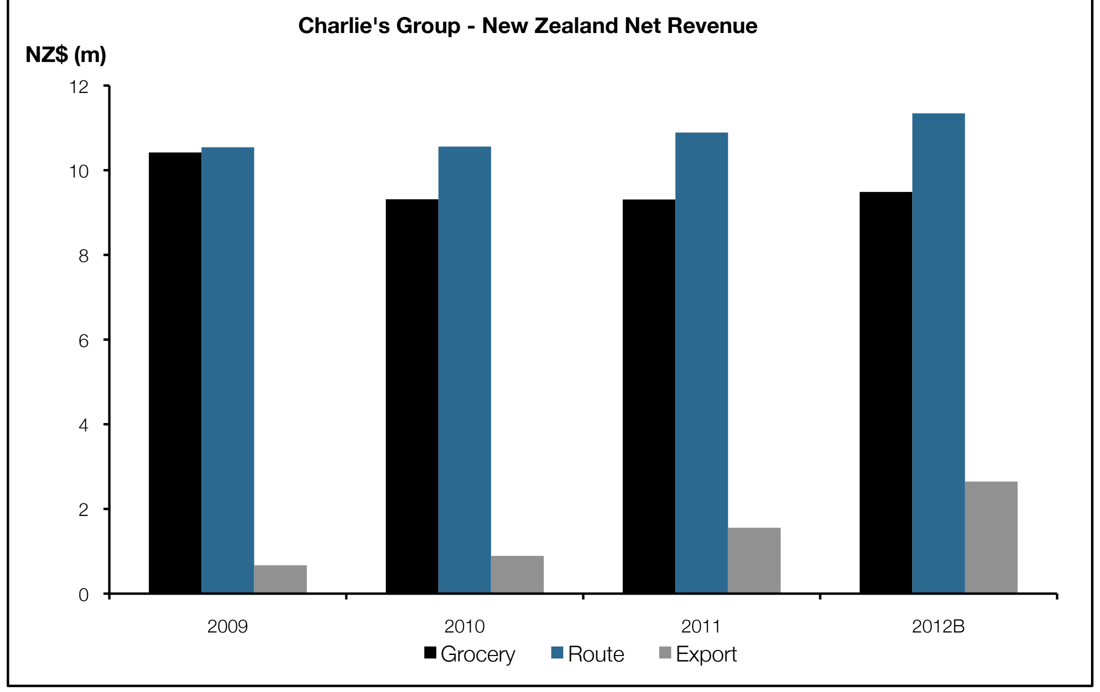
A key feature of the success of Charlie's Group has been a focus on new product development. Charlie's Group has a number of new product innovations under development. Several will be introduced during the course of the 2012 financial year and will target new market segments.

4.3 Key markets

Charlie's Group operates predominately in New Zealand and Australia with limited volumes being exported to the Asia Pacific region and the Middle East. With the commencement of the new supply contract to Woolworths in Australia, Australia will become Charlie's Group's largest market during the 2012 financial year. Each of Charlie's Group's key markets is described in turn below.

New Zealand

The New Zealand business (excluding intercompany sales to Australia) comprises approximately 62% of Charlie's Group's net revenue for FY2011. Sales in New Zealand have remained relatively flat over the last three years reflecting the depressed state of the economy and the mature state of Charlie's Group's New Zealand business. Only minimal increases in volumes are forecast for the year ending 30 June 2012. The chart below illustrates Charlie's Group's New Zealand revenue since the year ended 30 June 2009 (**FY2009**) and highlights the mature nature of the New Zealand business:



The route trade in New Zealand is stable with only limited growth in volumes over the last three financial years. A key feature of Charlie's Group's coverage of the HoReCa route is the placement of Charlie's and Phoenix branded coolers in hotels, restaurants and cafés, which ensures maximum exposure for Charlie's Group brands. Charlie's Group has almost 1,400 coolers placed in retail outlets across the New Zealand market.

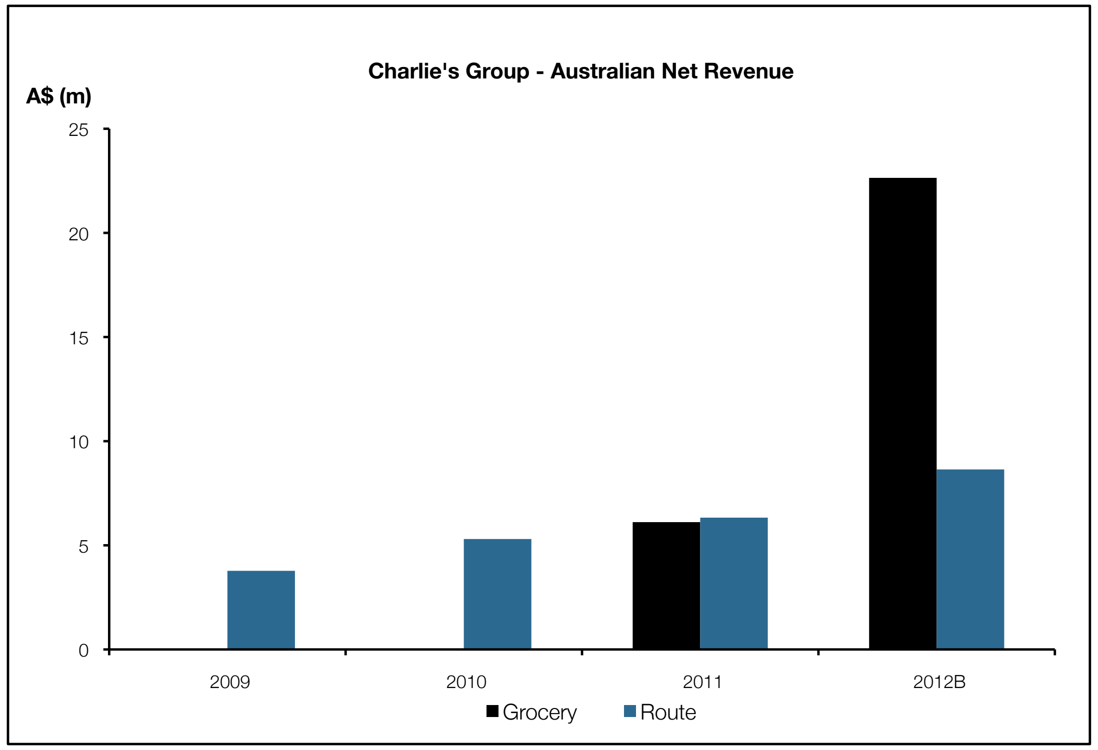
Grocery is a lower margin market segment and, despite a decline in the overall chilled fruit juice market, Charlie's Group is showing a small increase in market share over the last six months.

Australia

Phoenix began exporting to Australia in 2001. In 2007 the beverage manufacturing assets of Gallard were acquired by Charlie's Group, and in 2008 the Charlie's brand was launched in Australia. Today, Australia is the largest market for the Charlie's brand with the Honest Quencher range being the biggest selling product range in Australia across the Group's entire product range.

The strong growth in Australia, combined with moving the production of all of the Charlie's branded products to South Australia, has been one of the key contributors to the dramatic turnaround in the performance of Charlie's Group following the Group's net operating loss in 2009. Market shares in both grocery and route channels in Australia are behind those of New Zealand but are increasing strongly. With the commencement of supply to Woolworths, Australia will become the largest market for Charlie's Group during the course of the 2012 financial year.

Charlie's has broken into the route sector in Australia but its market share is very small. To date it has only approximately 700 branded coolers in hotels, restaurants and cafés across the Australian market. This compares with Schweppes Australia and Coca-Cola Amatil, which have an estimated 55,000 and 200,000 branded coolers respectively. Making inroads against such strong competitors will be hard even with Charlie's Group's innovative product range as, in most cases, installing a cooler typically involves displacing a competitor's cooler. To gain a market share comparable with New Zealand will require substantial investment in both personnel and coolers. If the Asahi Offer is successful, access to Schweppes' installed base of coolers will provide a significant growth opportunity for Charlie's Group products. The chart below illustrates Charlie's Group's Australian revenue since FY2009 and highlights the significant growth in Charlie's Group's Australian operations forecast for the year ending 30 June 2012 (**FY2012**) as a result of securing the Woolworths supply contract:



Charlie's Group is forecasting gross sales growth in Australia of 138% in the year ending 30 June 2012 on the back of an impressive 128% growth in the year ended 30 June 2011. The increase for FY2012 reflects a full year of Charlie's and Phoenix branded product sales to Coles (compared with 9 months of Charlie's sales (for most products) and 2 months of Phoenix sales in the year to 30 June 2011 (**FY2011**)) and 11 months of sales to Woolworths commencing at the end of July 2011. Despite these levels of growth Charlie's management believes there is still significant growth available in the HoReCa channel

and further growth through both Coles and Woolworths, and to the IGA/Metcash chain of independent supermarkets.

The rapid growth in sales, particularly to Coles and shortly Woolworths is likely to be one of the reasons for the current interest being shown in Charlie's Group by large multi-national beverage companies.

Export

Charlie's Group currently exports to 14 countries in the Asia-Pacific and Middle East regions. Export sales are relatively modest but are forecast to increase by 170% in the year ending 30 June 2012. Charlie's Group's key markets are:

- ***Korea*** where Charlie's Group's primary customer is Caffe Bene, a rapidly expanding café chain with 550 outlets;
- ***Hong Kong*** where Charlie's Group's distributes to supermarket chain PARK'n'SHOP; and
- ***Singapore*** where Charlie's Group distributes to supermarket chain Cold Storage.

In 2012 exports will receive a higher level of attention with a view to continuing growth at similar levels.

4.4 Financial Performance

The financial performance of Charlie's Group for the years ended 30 June 2009 and 2010 (**FY2010**), together with the unaudited results for the year ended 30 June 2011 and budget for the year ending 30 June 2012, are shown in the table below:

Charlie's Group Financial Performance (NZ$000s)				
Year end 30 June	**2009**	**2010**	**2011**	**2012B**
Net operating revenue	31,261	31,579	38,798	64,810
Cost of Goods Sold	(16,867)	(16,261)	(23,058)	(35,724)
Gross Profit	**14,394**	**15,318**	**15,740**	**29,086**
Gross Margin (%)	*46.0%*	*48.5%*	*40.6%*	*44.9%*
Selling and distribution expenses	(11,193)	(9,901)	(8,133)	(12,694)
Marketing expenses	(1,454)	(501)	(742)	(2,300)
Administrative and other expenses	(3,710)	(2,473)	(2,792)	(3,705)
EBIT[4]	**(1,963)**	**2,443**	**4,073**	**10,387**
Net interest expense	(634)	(274)	(154)	(254)
Gain on sale of property	-	1,202	-	-
Share transaction costs	-	-	(124)	-
Net profit before tax	**(2,597)**	**3,371**	**3,795**	**10,133**
Taxation	782	(879)	(1,449)	(3,040)
Net profit after tax	**(1,815)**	**2,492**	**2,346**	**7,093**
Add back depreciation and amortisation	1,037	976	792	935
EBITDA[5]	**(926)**	**3,419**	**4,865**	**11,322**

The following points should be taken into consideration when reviewing the table above:

- in FY2009 Charlie's made an operating loss which caused the company to review its operations. Selling, distribution and marketing expenses had grown faster than net revenue and together exceeded 40% of net revenue. As a percentage of revenue they have nearly halved in FY2011. A

[4] Earnings before interest and tax

[5] Earnings before interest, tax, depreciation and amortisation

combination of reduced costs, higher margins and sales to Australian grocery have resulted in the dramatic increase in earnings between FY2009 and the budget for FY2012;

- the significant growth in revenue for FY2012 is primarily attributable to a full year of sales of Charlie's and Phoenix products to Coles supermarkets nationally and 11 months of sales of Charlie's branded products into Woolworths stores nationally across Australia. Export sales from New Zealand are budgeted to increase strongly from a small base. All other segments are budgeting comparatively modest increases giving a high level of confidence that the substantial increase in revenues and EBITDA will be achieved;
- the gross margin decline for FY2011 is due primarily to the higher prices paid for citrus juice in Australia as a result of a poor growing season. For FY2012 citrus prices are expected to return to normal, PET packaging costs in Australia have been negotiated down, and volumes through the Renmark plant are forecast to double, which will result in production efficiencies. Similarly in Henderson production is forecast to increase by 35% (due to the supply of Phoenix branded products to Coles) and Charlie's Group has recently introduced systems to improve the production efficiency of the plant, both of which are expected to further reduce the cost of production; and
- the FY2012 budget has been prepared by Charlie's Group management based on the following assumptions:
  - a full year contribution from the supply of Charlie's and Phoenix branded products to Coles Australia based on current run rates;
  - the supply of Charlie's branded product to Woolworths at volumes similar to those achieved with Coles Australia;
  - exchange rates of NZ$1 = A$0.76 and A$1 = US$1;
  - an average interest rate on Australian dollar debt of 4.65%, an Australian dollar overdraft rate of 5.00%, and an average interest rate on New Zealand dollar debt of 4.50%;
  - a 4% increase in employment costs;
  - a significant uplift in export sales based on full year contributions from Caffe Bene and PARK'n'SHOP;
  - an improvement in gross margin on the basis of economies of scale, lower negotiated packaging costs at the Renmark plant, and citrus input costs returning to more normal levels on the back of a good season. Importantly the budget does not assume any improvement in gross margin from the introduction of "lean" manufacturing introduced at the Henderson plant in June 2011 and due to be implemented at Renmark in August/September 2011;
  - relocation of the Charlie's Group head office to the Auckland CBD at an additional cost of $250,000 per annum; and
  - capital expenditure of approximately NZ$750,000 at the Henderson facility and A$1.2 million at the Renmark facility.

4.5 Financial Position

The financial position of Charlie's Group as at 30 June 2010 together with the unaudited financial position as at 30 June 2011 and the budgeted financial position as at 30 June 2012 is outlined in the table below:

Charlie's Group – Balance Sheet (NZ$000s)			
As at 30 June	**2010**	**2011**	**2012B**
Trade receivables	1,926	5,890	9,370
Inventories	4,718	5,904	7,273
Prepayments and other current assets	158	328	145
Total Current Assets	**6,802**	**12,122**	**16,788**
Trade payables	(1,437)	(2,460)	(5,131)
Accruals	(704)	(2,027)	(2,063)
Taxation payable	(120)	(717)	(1,524)
Total Current Liabilities	**(2,261)**	**(5,204)**	**(8,718)**
Net Working Capital	**4,541**	**6,918**	**8,070**
Property, plant and equipment	3,968	3,641	7,274
Intangible assets	9,007	9,097	9,177
Other non-current assets	438	128	80
Total Non-Current Assets	**13,413**	**12,866**	**16,531**
Net cash / (debt) position	(1,639)	(997)	1,521
Net assets	**16,315**	**18,787**	**26,122**

The following points are relevant when considering the above table:

- During FY2012 Charlie's Group is proposing to spend approximately A$1.2 million upgrading the Renmark bottling line and NZ$750,000 on a wide range of items at the Group's Henderson facility, the majority of which has been deferred from earlier periods. The Renmark expenditure is necessary to enable Charlie's Group to meet its significantly enlarged forecast production peak from October 2011 through to February 2012;
- intangible assets comprise primarily the goodwill on the acquisition of Phoenix as well as capitalised computer system costs;
- the strong operating cash flow forecast for FY2012 will result in debt being repaid and a strong net cash position at year end. A dividend could be paid for FY2012; and
- in 2008 Charlie's Group's largest shareholder, Collins Asset Management, provided a guarantee to the ANZ Bank for a $2.3 million temporary facility. The debt reduction and improved earnings allowed the guarantee to be released in February 2010.

4.6 Cash Flow

The cash flows for Charlie's Group for the year ended 30 June 2010, together with the unaudited cash flows for the year ended 30 June 2011 are shown in the table below:

Charlie's Group – Statement of Cash Flows (NZ$000s)		
Year end 30 June	**2010**	**2011**
Net Profit after Tax	**2,492**	**2,346**
Add non-cash expenses	1,796	1,091
Deduct gain on sale of property	(1,202)	-
Increase in working capital	(216)	(2,377)
Net Cash Flow from Operations	**2,870**	**1,060**
Capital expenditure	(229)	(418)
Sale of property	2,528	-
Issue of shares	370	-
Repayment of borrowings	(3,455)	-
Net cash flow	**2,084**	**642**

4.7 Capital Structure and Ownership

Charlie's Group currently has 293,865,324 shares on issue held by approximately 2,720 shareholders. The Company's top 20 shareholders as at 24 June 2011 are shown in the table below:

Charlie's Group – Top 20 Shareholders as at 24 June 2011		
Shareholder	**Shares (000s)**	**%**
Collins Asset Management Limited*	57,146	19.5
Stefan John Lepionka and Nigel Warren Hughes*	41,472	14.1
Marc Ellis, Christopher Ellis and Stephen Underwood* and, separately		
Marc Ellis, Agustina Ellis, Alejandro Mon and Stephen Underwood*	41,112	14.0
Accident Compensation Corporation	13,089	4.5
Simon Paul Angus Neal and Paul Edgar Neal*	11,969	4.1
Ambrosia Trustees Limited	7,316	2.5
Sinclair Long Term Holdings Limited	6,000	2.0
JBWere (NZ) Nominees Limited	4,200	1.4
New Zealand Permanent Trustees Limited	3,700	1.3
Roa Investments Limited	2,655	0.9
Russel John Field and Anthony James Palmer	2,600	0.9
Blue Inco Limited	2,378	0.8
Custodial Services Limited	2,312	0.8
Matthew Joseph Harte	2,219	0.7
Craig Leonard Heatley and Hayley Maree Pyle	2,000	0.7
Eduard Koert Van Arkel	2,000	0.7
Camscot Farms Limited	1,824	0.6
Tea Custodians Limited	1,814	0.6
Timothy John Cook*	1,598	0.5
Shelf Company 1966 Limited	904	0.3
Top 20 Shareholders	**208,308**	**70.9**
Other Shareholders	**85,557**	**29.1**
Total	**293,865**	**100.0**

* represents a Locked-In Shareholder

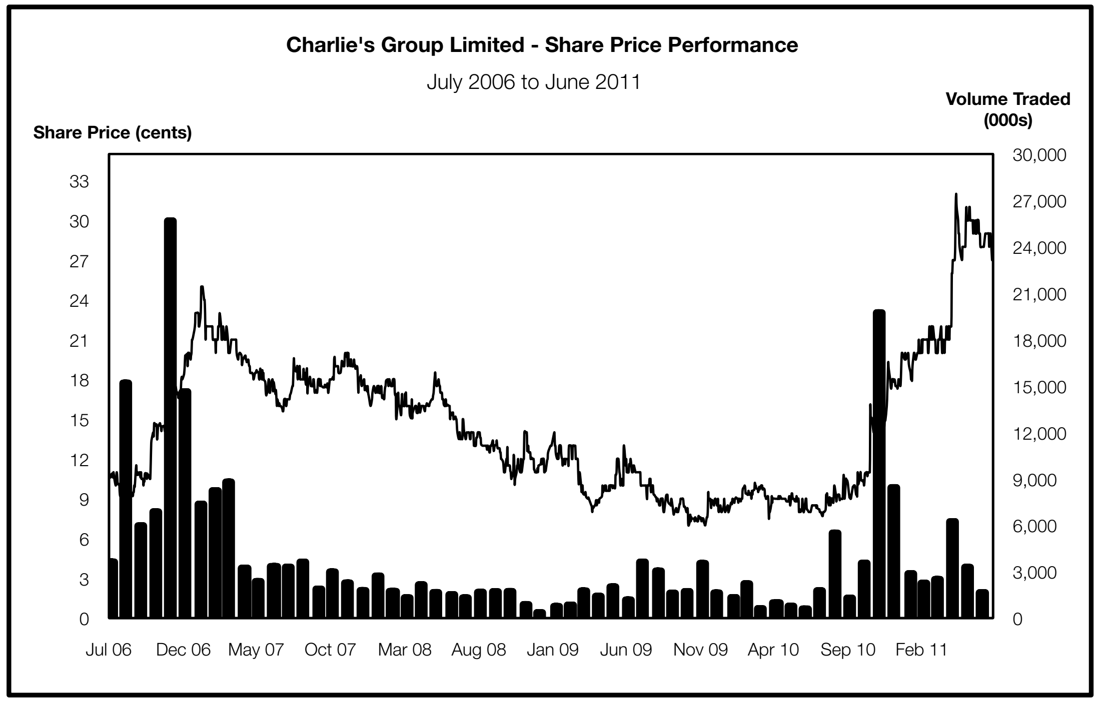
Following its due diligence investigation of Charlie's Group, Asahi signed Lock-In Agreements with various Charlie's Group shareholders shown in the table above (*). Eduard Van Arkel, the Chairman of Charlie's Group and Mark Darrow, an Independent Director of Charlie's Group, have each indicated that they intend to accept their shares into the Asahi Offer in the absence of a superior proposal.

The following table shows the volume of Charlie's Group shares traded over the past 12 months when compared with the total shares on issue and the "free-float" shares. The free-float share volumes are calculated as the total number of shares less shares held for strategic purposes, that is shares held by the Charlie's Group founders and by Collins Asset Management as well as ACC's 4.5% shareholding (from late November 2010):

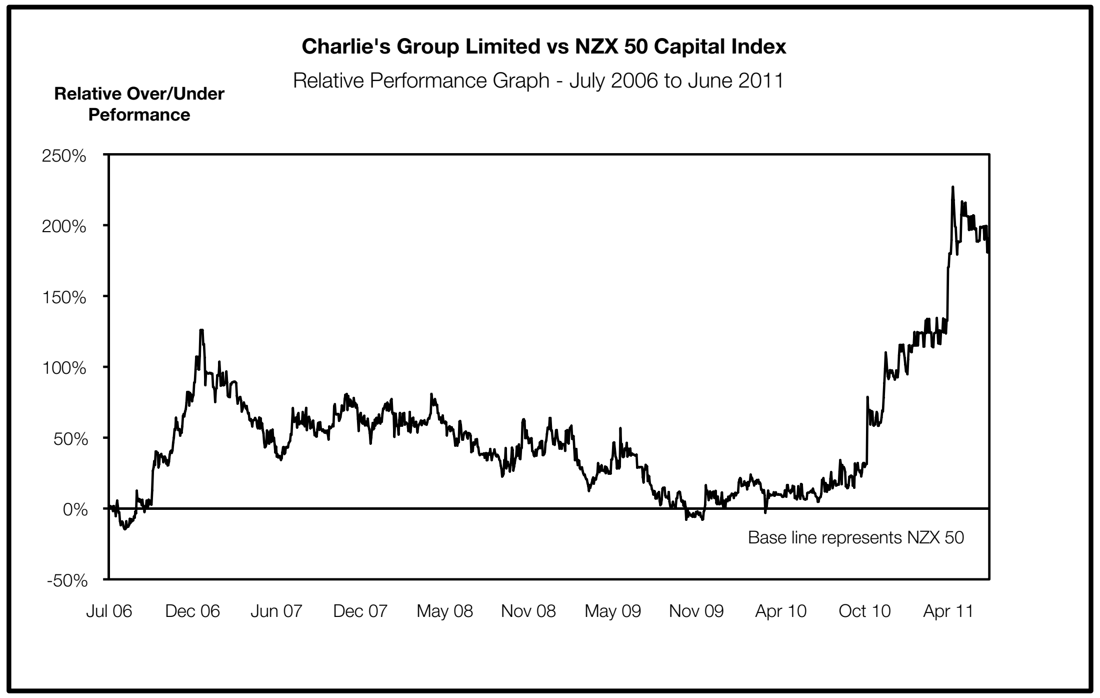
Charlie's Group – Share Trading Summary						
Time period	**Low**	**High**	**VWAP**	**Volume (000s)**	**Liquidity**	
					Total	**Free Float**
1 months	0.27	0.30	0.29	1,642	0.6%	1.3%
3 months	0.22	0.31	0.29	11,160	3.8%	8.6%
6 months	0.18	0.31	0.25	18,778	6.4%	14.4%
12 months	0.08	0.31	0.18	59,045	20.1%	46.4%

4.8 Share Price Performance

The share price and trading volume history of Charlie's Group shares is depicted graphically below.



The volume spikes in August 2006 and November 2006 represent the acquisition of substantial shareholdings by Collins Asset Management (19.9%) and Tony Kerridge (who acquired 42 Below's 4.4% shareholding) respectively. In November 2010 Charlie's Group founders Stefan Lepionka, Marc Ellis and Simon Neal sold a combined 15.31 million shares to institutional and private investors at 18 cents per share. The recent improvement in the company's share price is likely attributable to the announcement of the ranging of Charlie's branded products in Woolworths supermarkets across Australia on 5 April 2011. The Charlie's Group share price against the NZX50 index is shown in the graph below:



Using July 2006 as a reference point Charlie's Group has largely outperformed the NZX50 index.

5. Overview of Asahi

5.1 Background

Asahi Group can trace its beginnings back to the Osaka Beer Brewing Company established in 1889. Asahi became a separate standalone business following the break up of Dai Nippon Breweries into Asahi Breweries and Nippon Breweries in 1949, following which it listed on the Tokyo Stock Exchange. Today Asahi Group has a market capitalisation of approximately NZ$11.2 billion (as at 1 July 2011). The company is based in Tokyo, Japan and has operations throughout Asia, Europe, the USA and Australia.

5.2 Operations

Asahi Group is a diversified company that operates in four key segments – Alcoholic Beverages, Soft Drinks, Food & Healthcare, and Overseas. The company's core products are beer, whiskey and spirits, ready-to-drink beverages, wine, coffee, carbonated beverages, tea based drinks, water, fruit juice, chilled beverages, confectionary, pharmaceuticals, baby products and freeze dried foods. Alcohol represents approximately 70% of Asahi Group's business with soft drinks comprising approximately 20% and the remainder of the business being made up of food and healthcare products.

Asahi Group owns Schweppes Australia which is forecasting sales of A$870 million and EBIT of A$67 million in 2011. Schweppes Australia is Australia's second largest non-alcoholic beverage manufacturer which manufactures, markets and sells soft drinks, fruit juices, still and sparkling water, sports drinks and cordial. Schweppes Australia's key brands include Schweppes, Solo, Cottee's, Cool Ridge and Spring Valley. It also manufactures Pepsi, Gatorade and Sunkist products under licence and distributes Monster Energy drink under licence in Australia. Schweppes Australia does not operate in New Zealand and the Schweppes brand in New Zealand is owned by Coca-Cola Amatil. If Asahi completes its acquisition of Charlie's Group, Charlie's Group will report into Schweppes Australia.

5.3 Financial Profile

A brief financial profile of Asahi is outlined below:

Asahi – Earnings Profile (NZ$ billions)		
Year ended 31 December	**2009**	**2010**
Net Sales	22.98	22.23
Gross Profit	7.67	8.15
Selling, general & administration expenses	6.44	6.73
Operating income	**1.23**	**1.42**

Source: Asahi Presentations (for comparability, both years converted at NZ$1 = ¥67)

6. Valuation of Charlie's Group

6.1 Summary

We have valued the equity in Charlie's Group at between 41 cents and 45 cents per summarised below:

Charlie's Group – Valuation Summary		
$ million except where otherwise stated	**Low**	**High**
Enterprise value	121.3	133.3
Net debt for valuation purposes	(2.0)	(2.0)
Equity value	**119.3**	**131.3**
Fully diluted shares on issue (million)	293.9	293.9
Value per share	**$0.41**	**$0.45**

A value range of $121.3 million to $133.3 million has been attributed to Charlie's Group's operations. This valuation range is an overall judgement having regard to:

- the earnings multiples implied by the prices paid for comparable businesses and the share comparable listed companies;
- the attributes and earnings outlook for Charlie's Group; and
- the consolidation of the non-alcoholic beverage sector in Australasia.

The valuation represents the estimated full underlying value of Charlie's Group assumi of the company was available to be acquired and includes a premium for control. T exceeds the price at which, based on current market conditions, Grant Samuel woul Charlie's Group shares to trade on the NZSX in the absence of a takeover offer or similar in nature to the Asahi Offer.

The valuation reflects the strengths and weaknesses of Charlie's Group and takes into acc following factors:

- the strong cash flows and high gross margins across the portfolio;
- the strong portfolio of brands;
- the rapidly growing presence in the grocery segment in Australia;
- the Group's domination of the organic sector in New Zealand;
- the innovative and creative management;
- the potential for growth beyond Australia; and
- a good pipeline of new products.

Earnings for valuation purposes

To ascertain an appropriate earnings figure on which to base our valuation of Charlie's Group reviewed the 2012 budget. Given the contracts for the supply of product to Coles and Woolwo in the absence of any unusual factors, the budgeted EBITDA of $11.3 million appears achieva budgeted EBITDA has been increased to $11.8 million for valuation purposes by the follow items:

- the removal of the estimated costs of being a listed company of $250,000 per annum;

- the normalisation of increased rental costs arising as a result of the relocation of Charlie's Group head office to the Auckland CBD of $50,000; and
- an allowance of $200,000 of EBITDA from the launch of new products that have already been agreed to be ranged by certain Charlie's Group customers.

Net debt for valuation purposes

For the purposes of our valuation we have adopted Charlie's Group's net debt position of approximately NZ$1 million as at 30 June 2011 and added a further NZ$1 million to allow for the likely increase in debt required to fund the planned capital expenditure at the Renmark and Henderson facilities.

Synergies

Asahi, through its wholly owned subsidiary Schweppes Australia, will be able to benefit from a number of potential synergies including:

- access to lower packaging and raw material costs;
- the production of Asahi's Australian brands (other than Schweppes) at the Henderson plant for distribution to the New Zealand market; and
- the ability to leverage its extensive distribution system both in Australia and internationally to expand the distribution of Charlie's Group products.

None of these synergy benefits has been factored into our valuation as these synergies are particular to Asahi and would not necessarily be available to any other purchaser. There is no reason why Asahi should pay away these synergy benefits to the existing owners of Charlie's Group.

6.2 Preferred Methodology

Overview

Grant Samuel's valuation of Charlie's Group has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Charlie's Group is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Charlie's Group could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix C.

Preferred Approach

We have adopted the capitalisation of earnings methodology to value Charlie's Group. There are a number of comparable (albeit somewhat larger) listed beverage companies from which trading multiples can be observed. In addition there have been a number of recent comparable transactions from which to draw conclusions as to the appropriate capitalisation multiples. These trading and transaction multiples are outlined at Section 6.4 of this report.

We have applied multiples of 8 to 9 times Charlie's Group's New Zealand adjusted budgeted earnings for FY2012. These multiples are at the lower end of multiples implied by the comparable transaction and trading evidence. The application of lower multiples to the New Zealand earnings reflects the mature state of Charlie's Group's market share in New Zealand and therefore the lack of growth available.

For Charlie's Group's Australian adjusted budgeted earnings for FY2012 we have applied multiples of 11 to 12 times. These higher multiples reflect the significantly higher growth potential available to Charlie's Group in Australia.

6.3 Earnings Multiple Analysis

We have valued Charlie's Group on an ungeared basis at between \$121.3 million and \$133.3 million. This valuation range implies the following multiples:

Charlie's Group - Implied Multiples

	Valuation Range	
	Low	High
Multiple of EBITDA – year ended 30 June 2011	24.9	27.4
Multiple of EBITDA – year ending 30 June 2012	10.7	11.8
Multiple of EBIT – year ended 30 June 2011	29.8	32.7
Multiple of EBIT – year ending 30 June 2012	11.7	12.8
Price earnings multiple – year ended 30 June 2011	50.9	55.9
Price earnings multiple – year ending 30 June 2012	16.8	18.5

The above implied multiples for the year ended 30 June 2011 are very high. This suggests that the Asahi Offer has been based on forecast earnings for FY2012 and also demonstrates the significant growth of the group is expecting between FY2011 and FY2012. A detailed explanation of how to interpret the above multiples is included at Appendix D.

6.4 Assessment of Implied Multiples

Transactions in the Non-Alcoholic Beverage Industry

The valuation of Charlie's Group has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions set out below:

Recent Transaction Evidence

Date	Target	Acquirer	Transaction Value (millions)	EBITDA Multiple[6] (times)		EBIT Multiple[7] (times)	
				Historical	Forecast	Historical	Forecast
Jul 2011	P&N Beverages – Juice & Water	Asahi	A\$283.0	10.8	na	na	na
Aug 2010	P&N Beverages – All	Asahi	A\$459.0	10.3	na	13.9	na
Aug 2010	Cliffstar	Cott	US\$667.6	6.9	na	8.0	na
Nov 2009	Orangina	Suntory	€2,600.0	11.0	na	na	na
Apr 2009	Schweppes Australia	Asahi	A\$1,185.0	15.2	na	na	na
Oct 2008	Frucor	Suntory	NZ\$1,300.0	13.3	na	na	na
Oct 2008	Golden Circle	HJ Heinz	A\$270.5	10.2	7.3	19.5	10.6
Aug 2008	Dairy Farmers	National Foods	A\$875.1	12.4	9.0	20.9	13.5
Nov 2007	National Foods	Kirin	A\$2,900	17.0	12.5	23.0	na
Jun 2007	Energy Brands	Coca-Cola	US\$4,223.0	20.0	na	na	na
Feb 2006	Orangina Group	Lion Capital/Blackstone	€1,850.0	9.0	na	na	na
Dec 2004	National Foods	San Miguel	A\$1,511.8	13.3	12.1	19.1	16.9
Oct 2001	Frucor	Danone	NZ\$361.3	12.0	9.7	15.2	11.9
Minimum				***6.9***	***7.3***	***8.0***	***10.6***
Maximum				***20.0***	***12.5***	***23.0***	***16.9***
Median[8]				***12.2***	***9.7***	***19.3***	***12.7***
Simple Average[9]				***12.4***	***10.1***	***17.6***	***13.2***

Source: Media reports, company announcements, annual reports and presentations.

Brief descriptions of the transactions included above are provided in Appendix A. Each transaction has its own unique set of circumstances. As such it is often very difficult to identify trends or draw any meaningful conclusions.

[6] Represents implied enterprise value divided by EBITDA.

[7] Represents implied enterprise value divided by EBIT.

[8] Excluding the P&N Beverages – All / Asahi transaction.

[9] Excluding the P&N Beverages – All / Asahi transaction.

Share market evidence

The valuation of Charlie's Group has been considered in the context of the share market ratings of listed Australasian and international companies with operations in non-alcoholic beverage sector. While none of these companies is precisely comparable to Charlie's Group, the share market data provides some framework within which to assess the valuation of Charlie's Group.

Share Market Ratings of Selected Listed Companies

Company	Market Capitalisation (NZ$ millions)	EBITDA Multiple[10] (times)		EBIT Multiple[11] (times)	
		Historic	Forecast	Historic	Forecast
Charlie's Group (pre-offer price)	**81.5**	**16.8**	**7.2**	**20.3**	**7.9**
Charlie's Group (Asahi Offer price)	**128.6**	**26.6**	**11.4**	**32.0**	**12.4**
New Zealand / Australia					
Coca-Cola Amatil	11,257.8	9.8	9.3	12.0	11.5
Foster's Group	13,089.3	9.3	12.9	10.7	13.7
Little World Beverages	296.6	20.4	14.6	25.5	17.3
Asia					
Asahi Breweries	11,238.1	5.6	5.3	9.1	8.5
Kirin Holdings	16,148.0	6.1	6.2	11.8	11.3
North America					
Cott Corporation	927.5	8.0	6.3	13.9	9.9
Dr Pepper Snapple	11,277.2	9.0	9.0	11.0	10.8
National Beverage	817.6	9.1	7.9	11.2	9.3
Hansen Natural	8,934.7	18.8	15.0	19.5	15.6
Minimum (excl Charlie's Group)		***5.6***	***5.3***	***9.1***	***8.5***
Maximum (excl Charlie's Group)		***20.4***	***15.0***	***25.5***	***17.3***
Median (excl Charlie's Group)		***9.1***	***9.0***	***11.8***	***11.3***
Average (excl Charlie's Group)		***10.7***	***9.6***	***13.9***	***12.0***

Source: Grant Samuel analysis[12], Capital IQ

A description of each of the companies above is set out in Appendix B. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 1 July 2011. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year;
- there are considerable differences between the operations and scale of the comparable companies when compared with Charlie's Group. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

10 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, impairment adjustments and significant items.

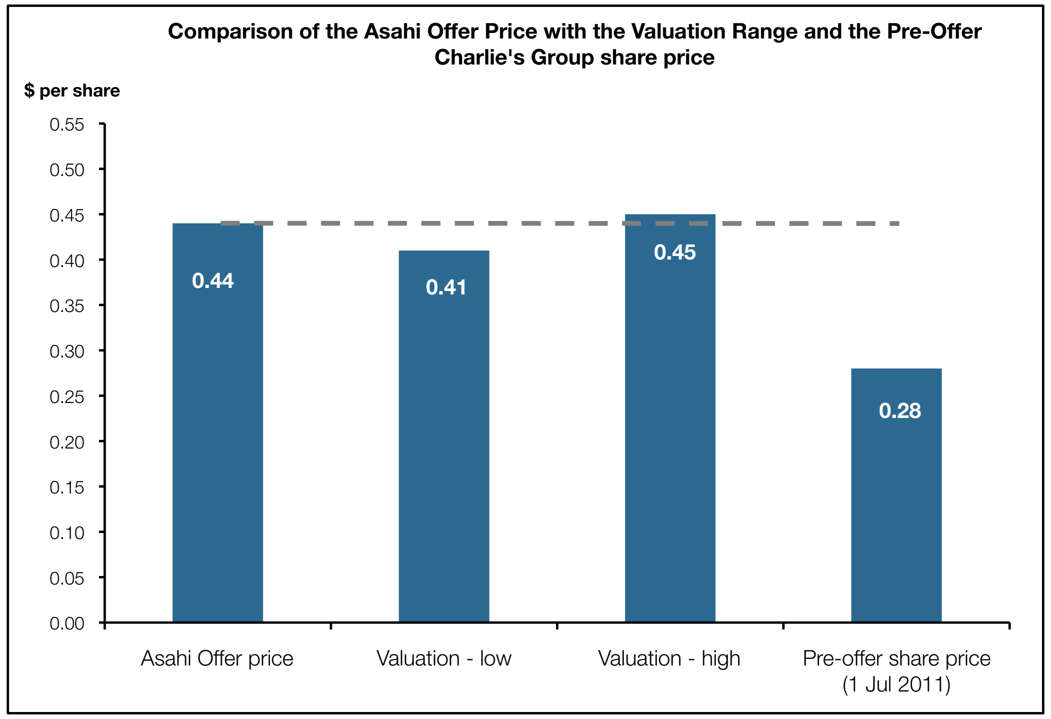
11 Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income, impairment adjustments and significant items.

12 Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

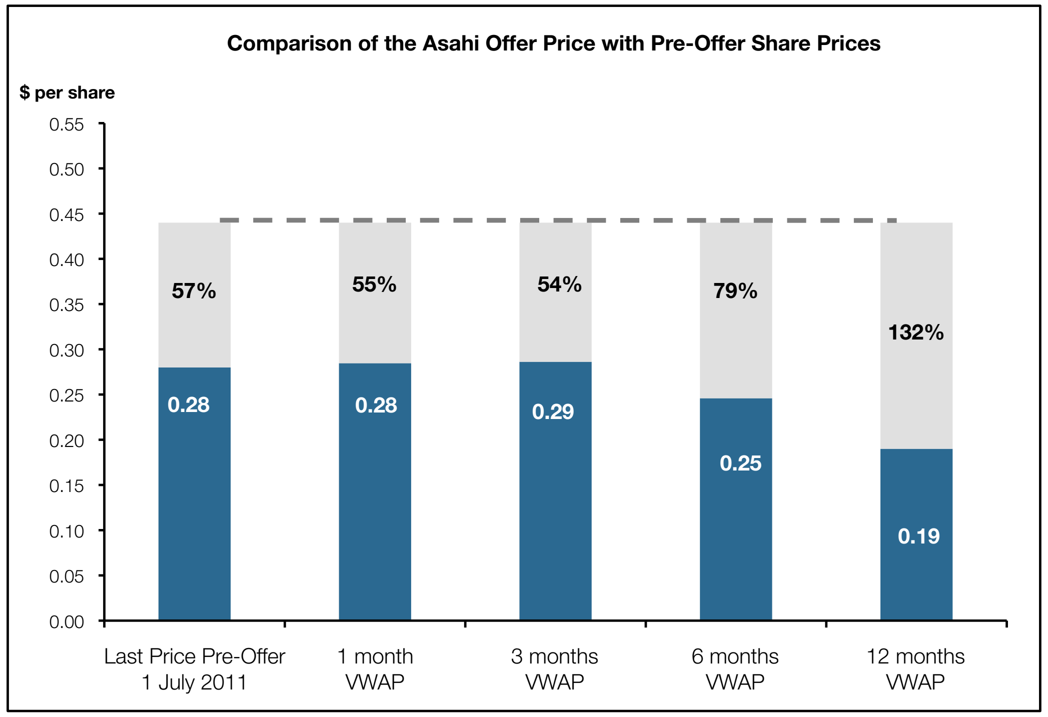
7. Merits

7.1 The Value of the Asahi Offer

- ***Grant Samuel's assessment of the value of Charlie's Group***. In Grant Samuel's opinion the full underlying value of Charlie's Group shares is in the range of $0.41 to $0.45 per share as set out in Section 6. This full underlying value represents the value of acquiring 100% of the ordinary shares in Charlie's Group, which would provide access to the company's current strategic plans and operating initiatives, and therefore includes a premium for control. Our valuation range excludes the value of any synergies that an acquirer may be able to derive by achieving full control of Charlie's Group, other than synergies available to all potential purchasers such as the removal of the costs associated with a listing on the NZSX. The Asahi Offer price is $0.44 per share and falls within our valuation range, one cent below the top end of our value range $0.45 per share. The diagram below compares the Asahi Offer price with our value range and the Charlie's Group share price immediately prior to the announcement of the Asahi Offer:



- ***the premium implied by the Asahi Offer.*** The Asahi Offer price of $0.44 per share represents a premium of 57% to the closing price of $0.28 per share on 1 July 2011 being the day prior to the announcement of the Asahi Offer. The Asahi Offer price also represents a premium of 55% the 1 month volume weighted average share price (**VWAP**) and a premium of 54% over the 3 month VWAP. Over the longer term the Asahi Offer represents premia of 79% and 132% over the 6 month and 12 month VWAPs respectively. The Asahi Offer price represents a substantial premium to the Charlie's Group share price over the past 12 months, well in excess of the generally observed takeover premia range of 20% to 35%. This can be attributed to the significant growth the company is forecast to experience in FY2012 as the new Woolworths contract commences and as the company books a full year of earnings from Coles. In part the substantial premiums can also be attributed to Charlie's Group shares being thinly traded and the fact that the budget for FY2012 was not known to the market until the announcement of the Asahi Offer. The chart below depicts the premia implied by the various VWAPs for Charlie's Group shares over the past 12 months:



- ***comparable company and comparable transaction data***. The Asahi Offer implies multiples of 26.7 times historical EBITDA and 11.4 times forecast EBITDA for FY2012. Grant Samuel's analysis suggests the historical EBITDA multiple implied by the Asahi Offer is above historical multiples paid for controlling shareholdings in comparable companies but in line with multiples paid when Charlie's Group's higher forecast earnings are taken into account and indicates that Asahi views the FY2012 as largely achievable.

7.2 Effect of the Lock-In Agreements

It is important to note that the Lock-In Agreements do not confer any additional benefits on the Locked-In Shareholders than are available to all other Charlie's Group shareholders. In fact the Lock-In Agreements have the effect of reducing the flexibility available to the Locked-In Shareholders who have only limited ability to terminate the Lock-In Agreements in the event Asahi does not make its Offer or does not apply for consent from the OIO within the required timeframe. Provided Asahi makes its Offer on the intended terms and applies to the OIO within the required timeframe, the Locked-In Shareholders must accept the Asahi Offer within 1 business day of the Offer being made. They do not have the ability to accept alternative proposals or to retain their shareholding in Charlie's Group.

7.3 Rationale for the Offer

As at the date of the Asahi Offer, Asahi's operations in Australasia are limited to its ownership of Schweppes Australia and the manufacture of long run, large volume non-alcoholic beverages. The acquisition of 100% of Charlie's Group would provide Asahi with a number of benefits, including:

- access to an established platform in the New Zealand market. Neither Asahi nor Schweppes Australia currently have any exposure to the New Zealand non-alcoholic beverage market;
- access to new and interesting products to export through its international distribution channels. Asahi has a global footprint and a well-established international distribution network. The products it manufactures through Schweppes Australia are either licenced beverages (such as the Schweppes brand) which can only be manufactured for the territories to which the licence applies or more commodity-based products. Asahi's global route and HoReCa network is likely to welcome Charlie's Group's premium product offering;
- the opportunity to extend its Australian product range into the premium end of the non-alcoholic beverage sector;

- the ability to distribute the Charlie's Group range through Asahi's Australian route business. Asahi currently controls in excess of 55,000 coolers in Australia compared with Charlie's Group's approximately 1,400 coolers in New Zealand and 700 coolers in Australia;
- manufacturing flexibility and new product development. The acquisition of Charlie's Group would provide Asahi with access to a smaller manufacturing facility which can be used for shorter runs and to trial new products. Charlie's Group also has an established new product development team that has a proven ability to successfully bring new products to market; and
- the ability to manufacture Asahi's Australian branded products (other than Schweppes) for the New Zealand market close to source at Charlie's Group's Henderson facility.

7.4 Likelihood of Asahi increasing its Offer price or extending the Offer close date

There are only two permissible variations to the Asahi Offer:

- Asahi may choose to extend its Offer period. The Asahi Offer is due to close on 19 August 2011. Under the rules of the Takeovers Code the latest date to which the Asahi Offer may be extended is 90 days after the date on which the Offer opens, in this case 18 October 2011. However, if it chooses to waive its 90% Minimum Acceptance Condition the Offer is able to be extended for a further 60 days to 17 December 2011 under rule 24B of the Takeovers Code. After closing, the Asahi Offer can remain unconditional for up to a further 30 days if OIO consent is still outstanding (this additional time frame does not apply to offers that have been extended under rule 24B); and
- Asahi may choose to increase its Offer price. If Asahi increases its Offer price while its current Offer is still open the increased price will be available to all Charlie's Group shareholders even if they have already accepted the $0.44 per share Offer (including the Locked-In Shareholders). This will not apply if Asahi makes a further takeover offer at a higher price after the current Offer has closed, in which case the higher price would only be available to shareholders that did not accept the current Asahi Offer. In our opinion it is unlikely that Asahi will increase its Offer price in the absence of any higher competing offers for Charlie's Group as its current Offer price represents a significant premium to the trading price of Charlie's Group shares prior to the announcement of the Offer and a relatively full multiple of forecast FY2012 earnings.

7.5 Likelihood of alternative offers

- Asahi was granted a period of exclusivity in which to undertake due diligence on Charlie's Group. The period of exclusivity came about as a result of unsolicited and competing expressions of interest in acquiring Charlie's Group being presented to the Board of Charlie's Group around the same time. The Asahi proposal represented a premium over the other proposals. It is unlikely, particularly in light of the Lock-In Agreements, that a competing offer for Charlie's Group will be forthcoming. The Locked-In Shareholders do not have any flexibility to accept a higher offer in the event one eventuated. Unless the Asahi Offer lapses, any other offer could only be successful if it were for less than 50% of the shares in Charlie's Group (which would require shareholder approval);
- alternatively the competing proposal may resurface (or another full offer be presented) in the event Asahi does not receive sufficient acceptances to take its shareholding in Charlie's Group to 90% and the Asahi Offer lapses. There is no certainty that such an offer would eventuate nor any visibility as to the terms and price of such an offer if it did;
- if Asahi does not reach its 90% Minimum Acceptance Condition, and declares the Offer unconditional at a lesser percentage shareholding, it is likely that Asahi will make a further offer at a later date to secure the remainder of the company. There is, however, no certainty regarding the price and terms of such an offer if it did eventuate; and
- an interesting outcome of Asahi making its Offer is that the budgeted earnings for Charlie's Group for FY2012 have now been made public. It is possible that the disclosure of an expected material uplift in earnings could elicit offers from other parties if Asahi is not successful in acquiring Charlie's Group.

7.6 Implications if Asahi acquires 100% of Charlie's Group

Asahi is seeking to acquire 100% of the shares in Charlie's Group. It has already secured acceptances of 52.17% by virtue of the Lock-In Agreements between Asahi, trusts associated with the founders of Charlie's Group and substantial shareholder Collins Asset Management (and its CEO Tim Cook). The Asahi Offer is conditional on achieving acceptances sufficient to take its shareholding in Charlie's Group to 90% or more of the shares on issue. If Asahi receives acceptances to take its shareholding in Charlie's Group to 90% or more, and obtains the approval of the OIO to proceed with the acquisition, the Asahi Offer will be unconditional and:

- Asahi has stated that it intends to acquire the remaining shares in Charlie's Group using the compulsory acquisition provisions of the Takeovers Code. The compulsory acquisition provisions give Asahi the right to compulsorily acquire the remaining Charlie's Group shares on issue upon the 90% acceptance threshold being reached;
- Charlie's Group will be de-listed from the NZSX and become a wholly owned subsidiary of Asahi; and
- Asahi has indicated that it will continue to operate Charlie's Group as a stand-alone business while supporting the existing management in their current plans for growth and "providing access to the Asahi Group's distribution network, innovation and other technical capabilities".

7.7 Implications if Asahi does not acquire 100% of Charlie's Group

The implications of Asahi not receiving sufficient acceptances to take its shareholding in Charlie's Group to 90% by the date on which the Asahi Offer closes (as extended), are as follows:

- if it chooses not to waive its 90% Minimum Acceptance Condition, Asahi will not acquire any shares in Charlie's Group and Charlie's Group will remain a public company listed on the NZSX with substantially the same shareholding as existed prior to the Asahi Offer;
- Asahi has reserved the right to waive its 90% Minimum Acceptance Condition and accept a lower percentage, provided that percentage exceeds 50% as required by the Takeovers Code. The preservation of the ability to waive the 90% Minimum Acceptance Condition should not be interpreted as Asahi "will waive the 90% condition" if it does not get to 90%. The higher the level of acceptances the higher the probability of Asahi waiving the 90% Minimum Acceptance Condition at some lesser percentage shareholding. Asahi has indicated that it wants full ownership of Charlie's Group and is unlikely to go unconditional until very near the expiry of the Offer term, and only if OIO approval is received. Under the Lock-In Agreements it has already secured 52.17%. If Asahi declares the Offer unconditional at a shareholding of between 52.17% and less than 90% Charlie's Group will remain listed on the NZSX;
- as outlined in Section 7.4 above, the Takeovers Code permits Asahi to extend its Offer close date to 18 October 2011. If Asahi chooses to waive the 90% Minimum Acceptance Condition the Offer close date can be extended for a further 60 days to 17 December 2011 to allow further time for Asahi to try and reach its 90% target. This has the effect of Asahi being able to delay the close of its Offer for a period of 5 months, during which time no other takeover offers are likely to be forthcoming. However, if OIO approval has been received the Asahi Offer will be unconditional once the 90% Minimum Acceptance Condition has been waived and Asahi must acquire any shares accepted into the Offer;
- if Asahi does not acquire 100% of Charlie's Group it is likely that shares in Charlie's Group will trade below the Offer price of 44 cents but above the closing price immediately prior to the announcement of the Offer of 28 cents. The very large forecast increase in earnings should cause the stock to be re-rated. Offsetting this is the low liquidity of Charlie's Group shares. Even in the absence of a substantial shareholding being acquired by Asahi, Charlie's Group shares are relatively thinly traded. This has the effect of suppressing the Charlie's Group share price. The closer the Asahi shareholding gets to 90% the lower the liquidity of the Charlie's Group shares will be;

- at a shareholding of between 52.17% (the minimum level that Asahi is guaranteed to achieve by virtue of the Lock-In Agreements) and 90% Asahi will have control of Charlie's Group and has indicated it will seek appropriate representation on the Board of Charlie's Group. As it is Asahi's intention to keep Charlie's as a stand alone business, a less than 100% shareholding would, on the surface, appear not be a major impediment. Some of the synergy benefits, such as access to the Schweppes distribution networks may not be realised to their fullest extents if Asahi does not acquire 100% of Charlie's Group. Remaining minority shareholders will have limited influence on the operations of Charlie's Group;
- once Asahi has control of Charlie's Group it can determine such matters as dividend policy, capital expenditure and funding mix. These may have an impact on the earnings of the business in the short term particularly if Asahi decides, for example, to increase marketing expenditure dramatically to drive growth, particularly in the Australian market. It is likely that Charlie's Group will be in a position to pay a dividend in 2012. At a shareholding of between 52.17% and 90% Asahi may prevent a dividend being paid preferring profits to be re-invested in expanding the business;
- if the Offer is declared unconditional at a shareholding of less than 90%, Asahi cannot acquire any further shares in Charlie's Group for a period of twelve months without making another formal takeover offer for all or some of the remaining shares in the company, or without shareholder approval. However, from twelve months after the Asahi Offer closes, Asahi will be able to utilise the 'creep provisions' of the Takeovers Code to purchase up to a further 5% of Charlie's Group per annum (assuming it does not make any further takeover offers or acquire any Charlie's Group shares through any other means during this period);
- even with Asahi holding only a 52.17% shareholding in the company the appeal of Charlie's Group as a takeover target will be significantly reduced and the likelihood of another offer being made by a third party is very remote. Any party wishing to make a partial offer for over 20% of Charlie's Group would require the approval of Charlie's Group shareholders by way of an ordinary resolution which would require the support of Asahi. Any subsequent takeover offer for 100% of Charlie's Group would require Asahi to sell its shareholding in Charlie's Group to the new offeror for the full takeover to be successful; and
- Charlie's Group shareholders who choose not to accept the Offer have either decided they want to retain their investment in Charlie's Group for the longer term, or are expecting that Asahi will make another offer at a higher price. There is no certainty regarding the ongoing performance of Charlie's Group or that a subsequent offer from Asahi will be forthcoming if it does not acquire 100% of Charlie's Group. The risks and benefits associated with an investment in Charlie's Group are outlined at Section 7.9 below.

7.8 Implications if Asahi does not obtain OIO Approval

The Asahi Offer is conditional on Asahi receiving OIO consent to the acquisition. OIO consent is unfortunately a slow process and whether consent will be given is uncertain. If the OIO does not approve the acquisition of Charlie's Group by Asahi, the Asahi Offer will lapse and Asahi will not acquire any shares in Charlie's Group. Although under the Overseas Investment Act Asahi could, if it wished, acquire up to 25% of Charlie's Group without OIO approval, in light of its intention to secure control over Charlie's Group this is considered unlikely. In any event, acquiring 20% or more, but less than 50%, of Charlie's Group would require the approval of Charlie's Group shareholders under the rules of the Takeovers Code.

7.9 An investment in Charlie's Group

As with any equity investment there are benefits and risks associated with the market in which the company operates and specific benefits and risks attributable to the company itself. The risks associated with an investment in Charlie's Group include:

- the non-alcoholic beverage sector, and indeed the wider FMCG market, is notoriously competitive, highly brand oriented and increasingly dominated by large multinational companies with large marketing budgets. The ability to maintain brand reputation, brand awareness and brand loyalty is key to the ongoing success of Charlie's Group. The consumer market is fickle and achieving continued sales growth can, as a result, be challenging;

- Charlie's Group's success in breaking into the Australian grocery sector may see a competitive reaction from major competitors. There is no certainty that its successful performance will continue unchallenged;
- the very rapid increase in forecast earnings has come from achieving a strong position in the chilled juice section of Coles and very soon Woolworths in Australia. The future rate of increase in earnings is likely to be less spectacular and is likely to come from new products, entry into the independent grocery sector in Australia and expansion of the Australian route channel. Each of these sectors provides Charlie's Group with opportunities to grow sales albeit at a much slower rate than was achieved by securing supply to the two supermarket chains; and
- success in the grocery channel poses a risk to any small business as the balance of power always rests with the big supermarket chains. As sales to the grocery channel become a very large proportion of Charlie's Group's total sales in Australia there is the potential for the chains to exert price pressure thereby reducing Charlie's Group's margin.

The benefits and opportunities associated with an investment in Charlie's Group include:

- its ability to develop and market new and innovative products. This is likely to have been a key factor in Asahi's interest in acquiring Charlie's Group. It is evident in reviewing the ranges of Charlie's Group's major competitors that the volume of successful new product launches is relatively low when compared with Charlie's Group. By way of example, in New Zealand its major competitor has released a repackaged organic range that very closely resembles the Phoenix range; and
- Charlie's Group has achieved sufficient scale to generate good earnings and cash flows. By adding new product ranges and expanding its export sales it should be able to continue to grow, albeit at a less spectacular rate than in FY2011 and than forecast for FY2012. Asahi clearly has confidence in Charlie's Group to achieve its forecast growth as reflected in the multiples of forecast earnings it has offered.

7.10 Acceptance or Rejection of the Asahi Offer

Acceptance or rejection of the Asahi Offer is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED
13 July 2011

Grant Samuel + Associates

Appendix A
Recent Transaction Evidence

A brief description of each of the transactions listed in Section 6.4 is outlined below:

P&N Beverages / Asahi

On 26 August 2010 Asahi entered into an agreement to acquire P&N Beverages Australia Pty Limited (**P&N**) for approximately A$364 million in cash. P&N manufactures and markets beverages in Australia including beer, soft drinks, juices and carbonated mineral water. The agreement was subject to approval from the ACCC and the Foreign Investment Review Board (**FIRB**). On 9 March 2011 the ACCC opposed the deal. On 4 July 2011, Asahi announced that it had entered into an agreement to acquire only the water and juice business of P&N for A$188 million with the vendor retaining the remainder of the P&N businesses. The transaction remains subject to ACCC and the FIRB approval and has not yet been completed.

Cliffstar / Cott

On 7 July 2010 Cott Corporation (**Cott**) signed an asset purchase agreement to acquire Cliffstar Corporation (**Cliffstar**) for approximately US$670 million, which included US$570 million in cash consideration, US$14 million in deferred consideration to be paid over a three-year period and earn-out consideration of up to a maximum of $55 million. Cliffstar primarily engages in the manufacture, sale and distribution private-label shelf-stable juices in the United States. Cott completed the acquisition of Cliffstar on 17 August 2010.

Orangina / Suntory

In November 2009 Suntory announced that it had completed the acquisition of Orangina from its private equity owners – Lion Capital and Blackstone Group – for €2.6 billion. At the time of the acquisition Orangina was one of the leading non-alcoholic beverage companies in Europe, with turnover in excess of €1 billion and operations based predominantly in France, Spain and Portugal. Its principal brands included Orangina, Schweppes, Oasis and Trina. Lion Capital and Blackstone Group were estimated to have generated a return in excess of two times their original investment in Orangina in 2006.

Schweppes Australia / Asahi

On 24 December 2008 Asahi signed a conditional agreement to acquire the Australian beverage business owned by Cadbury Schweppes Holdings Pty Ltd (**Schweppes Australia**) for A$1,185 million. Schweppes Australia reported revenues from continuing operations of A$74 million and EBITDA of A$78 million for the year ended 31 December 2007. The acquisition of Schweppes Australia provided Asahi with a platform for growth in Australia. After approval from the FIRB, Asahi completed the acquisition of Schweppes Australia on 3 April 2009.

Frucor Beverages / Suntory

On 23 October 2008 Suntory Limited (**Suntory**) agreed to acquire Frucor Beverages Group Ltd (**Frucor**) from Danone Asia Pte Ltd (**Danone**) for approximately NZ$1.3 billion. Suntory Limited completed the acquisition of Frucor on 2 January 2009. Frucor manufactures and distributes non-alcoholic drinks in Australasia. Its products include fruit juices, fruit drinks, energy drinks, water, sports and soft drinks. The acquisition of Frucor was a competitive process with Kirin (through its subsidiary National Foods), Asahi and Coca Cola Amatil all participating in the process. The competitive acquisition process and growth profile of Frucor is reflected in the relatively high earnings multiples implied by the transaction.

Golden Circle / H. J. Heinz

On 6 October 2008 HJ Heinz Company Australia Limited (**HJ. Heinz**) signed an implementation agreement to acquire Golden Circle Limited (**Golden Circle**) from Anchorage Capital Partners, Babcock & Brown Direct Investment Fund Limited and other shareholders for A$1.65 per share, valuing Golden Circle at approximately A$288 million. HJ Heinz completed the acquisition of Golden Circle on 19 December 2008. Golden Circle manufactures and markets fruit and vegetables, fruit juices and drinks in Australia, New Zealand and internationally. Its products also include cordials, jam and conserves, snacks, fruit-based drinks, soft drinks, and fruit nectars.

Dairy Farmers / National Foods

On 25 August 2008, Australian Co-operative Foods Limited (**Dairy Farmers**) announced a proposal from National Foods Limited (**National Foods**) to acquire all of the shares in Dairy Farmers for total cash consideration of A$675 million. Dairy Farmers is one of Australia's leading branded dairy businesses and is owned in a co-operative structure. National Foods completed the acquisition of Dairy Farmers on 27 November 2008.

National Foods / Kirin

In November 2007, Kirin Holdings Company Limited (**Kirin**) announced that it had reached an agreement to acquire all of the shares in National Foods from San Miguel Corporation (**San Miguel**) for A$2.8 billion. National Foods is one of Australia's largest food and beverage groups with core activities in milk, fresh dairy foods, juice, soy beverages and specialty cheese. The acquisition provided Kirin with growth businesses in the area of food and health and increased exposure to Australasia. Significant growth opportunities and synergies were expected to be generated from the transaction, and were reflected in the relatively high earnings multiples implied by the acquisition. Kirin completed the acquisition of National Foods on 28 December 2007.

Energy Brands / Coca-Cola

On 24 May 2008 The Coca-Cola Company (**Coca-Cola**) signed a definitive agreement to acquire Energy Brands Incorporated (**Energy Brands**). The transaction was valued at US$4.23 billion. For the year ended 2006, Energy Brands had an annual turnover of US$355 million and the deal price implied an historical EBITDA multiple of 20 times. Coca-Cola's purchase of Energy Brands was the company's largest acquisition in its long history. The acquisition enabled Coca-Cola to expand its product offerings to juice and other non-carbonated beverages to meet shifting consumer tastes. On 7 June 2007 Coca-Cola completed the acquisition of Energy Brands.

Orangina Group / Lion Capital & The Blackstone Group

On 21 November 2005, The Blackstone Group International (**Blackstone**) and Lion Capital LLP (**Lion Capital**) announced the acquisition of European Beverages division of Cadbury Schweppes, Orangina Group (**Orangina**) for €1.85 billion. At the time of the transaction Orangina was third largest European soft drink manufacturer with sales volumes of 1.8 billion litres and turnover of almost €960 million. The transaction was completed on 2 February 2006. On 16 November 2009 Suntory Holdings acquired Orangina from Lion Capital and Blackstone. The details of this transaction were not publically disclosed but it was reported that it was sold for approximately €2.6 billion.

National Foods / San Miguel

Between October and December 2004, Fonterra and San Miguel Corporation (**San Miguel**) participated in a competitive process to acquire National Foods. After a series of competing bids Fonterra announced they would withdraw from the process and accept San Miguel's offer of A$6.40 per share. The high multiples implied by the price paid for National Foods reflect the competitive bidding process between San Miguel and Fonterra. On 10 June 2005 San Miguel closed the offer to acquire National Foods Ltd.

Frucor / Danone

On 24 October 2001 Danone made an offer to acquire Frucor from Bain Capital Ventures, Pacific Equity Partners and other shareholders for approximately NZ$290 million. Under the terms of the transaction, the purchase consideration consisted of NZ$2.35 per share for all of the outstanding shares of Frucor and NZ$1.31 for each NZ$1.00 principal amount of Tranche A convertible notes issued by Frucor to certain employees. The offer was conditional upon Danone receiving acceptances by a minimum of 90% of the shareholders of Frucor. After a series of offer extensions on 18 January 2002 the offer was declared unconditional and Danone proceeded with compulsory acquisition.

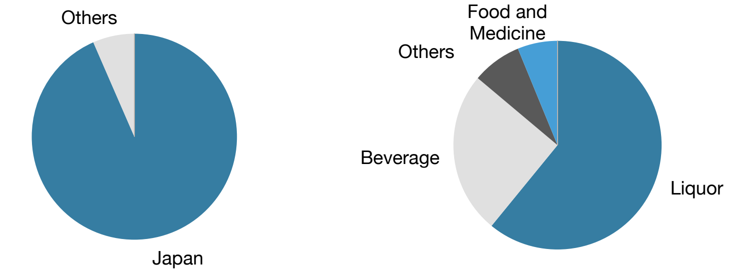
Appendix B
Comparable Listed Companies

A brief description of each of the companies listed in Section 6.4 is outlined below:

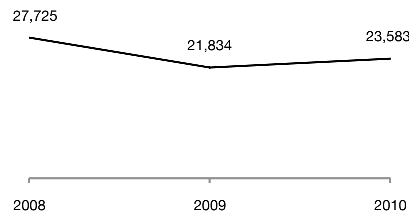
Asahi

Asahi engages in the manufacture and sale of alcoholic beverages, soft drinks, food and other products primarily in Japan. The company also offers coffee, tea-based drinks, mineral water, chilled beverages, fruit and vegetable drinks. Asahi is looking to expand its presence in Australasia with the acquisition of Schweppes Australia in 2009, the recent proposed transaction with P&N Beverages Australia and Charlie's Group.

Revenue segmentation



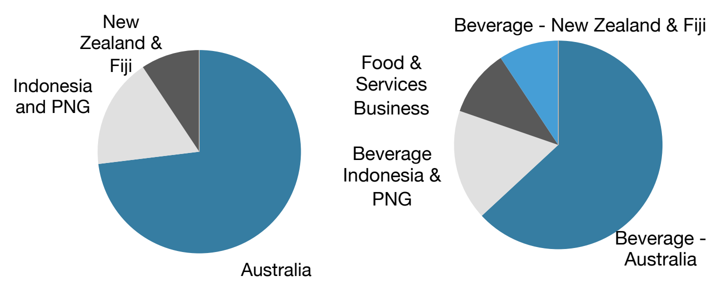
Historical Revenue (NZ$ millions)



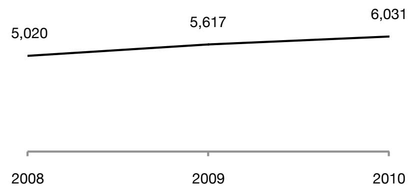
Coca-Cola Amatil

Coca-Cola Amatil is one of the largest bottlers of non-alcoholic ready-to-drink beverages in the Asia-Pacific region and one of the world's top five Coca-Cola bottlers. Coca-Cola Amatil has operations in five countries manufacturing, selling and distributing a diversified product portfolio including carbonated soft drinks, water, sports and energy drinks, fruit juice, flavoured milk, coffee and packaged ready-to-eat fruit and vegetable products. Coca-Cola Amatil has exposure to the current SABMiller takeover offer of Fosters Group Limited (**FGL**). Under a successful SABMiller bid Coca-Cola Amatil has negotiated the right to acquire FGL's spirits, RTDs, soft drink and Fijian businesses at multiples range from 5 times to 10 times EBITDA. Under the existing terms of the FGL offer, Coca-Cola Amatil will be entitled to an exit payment of A$300 million for its 50% interest in Pacific Beverages, a joint venture between SAB Miller and Coca-Cola Amatil.

Revenue segmentation



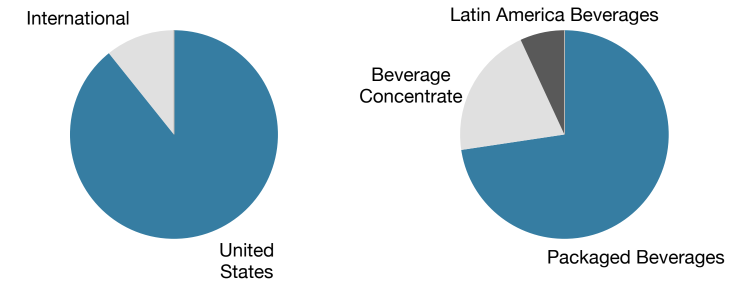
Historical Revenue (NZ$ millions)



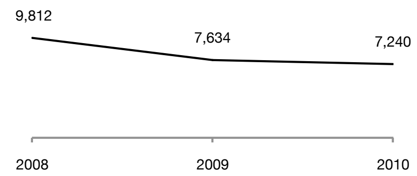
Dr Pepper Snapple

Dr Pepper Snapple Group (**DPS**) was established in 2008 following the spin off of the Cadbury Schweppes America's Beverage segment out of Cadbury Schweppes. DPS develops, manufactures, markets and distributes various non-alcoholic beverages in the United States, Canada, and Mexico including ready-to-drink teas, juices, juice drinks and mixers. DPS is the third largest "liquid refreshment" beverage company in North America and the largest carbonated soft drink company. DPS sells over 50 brands including Dr Pepper, Snapple, 7UP, Mott's A&W, Canada Dry and Schweppes.

Revenue segmentation



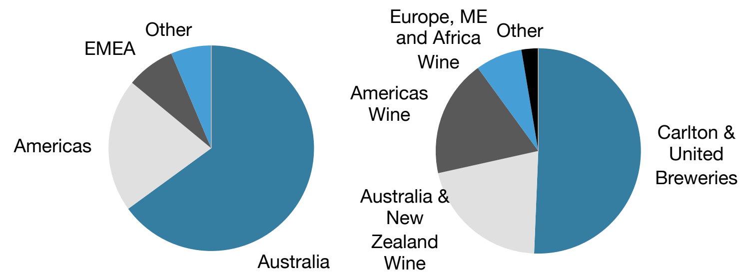
Historical Revenue (NZ$ millions)



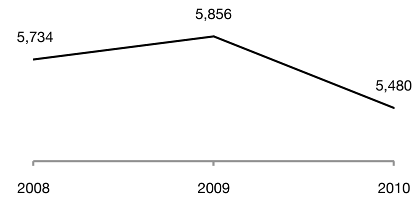
Fosters

FGL primarily specialises in the production, marketing, and export of beer and wine and owns Carlton & United Breweries (**CUB**), the largest brewer in Australia with a portfolio of brands produced by or licensed to CUB that includes the leaders in the traditional regular, premium domestic and premium international segments. CUB is also the largest cider producer in Australia, the largest brewer in Fiji and has a portfolio of spirits, ready-to-drink and non-alcohol brands. On 9 May 2011 FGL and Treasury Wine Estates demerged. The forecast EBITDA multiple shown in the table at Section 6.4 of this report is reflective of the demerger. On 21 June 2011 SABMiller made a non-binding and conditional proposal to acquire FGL for A$9.5 billion in cash. This transaction implies EBITDA and EBIT multiples of 9.2 and 10.4 times respectively. The offer was rejected by FGL's board. The board sited the Lion Nathan/Kirin acquisition in 2009 as the value benchmark. The Lion Nathan/Kirin transaction represented a forecast EBITDA multiple of 12.5 times.

Revenue segmentation



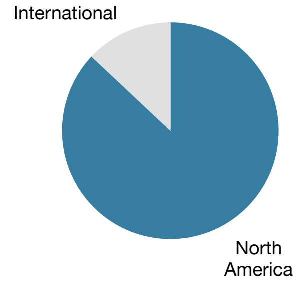
Historical Revenue (NZ$ millions)

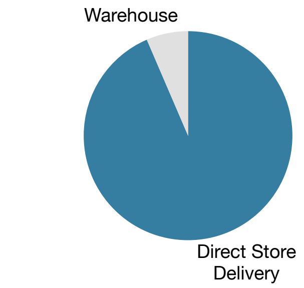


Hansen Natural

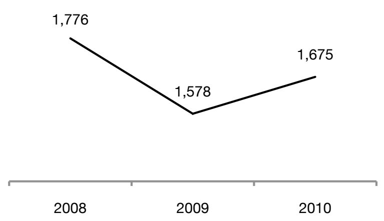
Hansen Natural Corporation (**Hansen**) engages in the development, marketing, sale, and distribution of beverages in the United States and internationally. The company manufactures a wide range of beverage products including natural sodas, fruit juices, energy drinks, sports drinks, iced teas and flavoured sparkling beverages. Hansen Natural's customers include full service beverage distributors, large retailers, wholesalers, convenience chains, health food distributors and food service customers. Despite the fall in revenue in FY2009 Hansen increased its EBITDA by 5%. Hansen trades at a premium to its peer groups due to its growth profile and its attractiveness as a takeover target.

Revenue segmentation





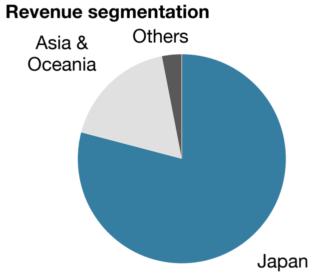
Historical Revenue (NZ$ millions)

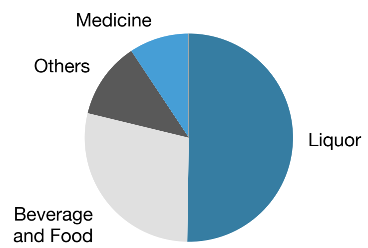


Kirin

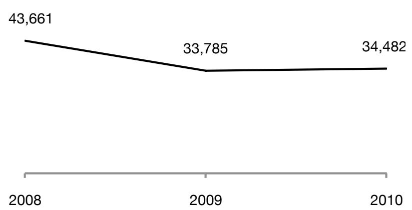
Kirin is Japan's largest beverage maker and is one of the leading food and beverage companies in the Asia-Pacific region. The company's liquor division offers beer, wine, ready-to-drink products, spirits and other alcoholic beverages. The beverage and food division manufactures and distributes coffee, tea, mineral water, juices, dairy products and beverages, seasonings, soft drinks, freeze-dried soups, milk and cheese. The company also engages in the research, development, manufacture and sale of various pharmaceutical products. The company's other segments include a broad mix of businesses ranging from the manufacture of biochemicals to operating commercial facilities. Kirin has a strong presence in the Australian and New Zealand market after acquiring Lion Nathan and National Foods.

Revenue segmentation





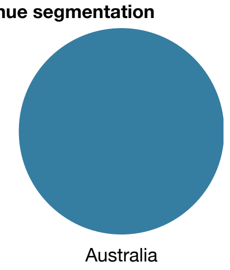
Historical Revenue (NZ$ millions)

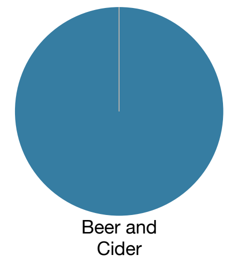


Little World Beverages

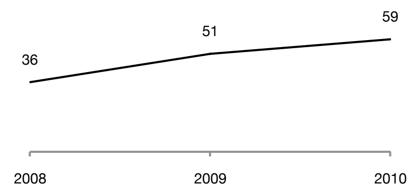
Little World Beverages Limited (**LWB**) engages in brewery and hospitality businesses in Australia and internationally. The company brews and sells draught and packaged beer and cider. LWB's revenues have grown significantly over the last three years and from the six months to 31 December 2010 EBITDA grew a further 19.8%. The growth is primarily due to the strong demand for the company's Little Creatures and White Rabbit beer brands and Pipsqueak cider.

Revenue segmentation





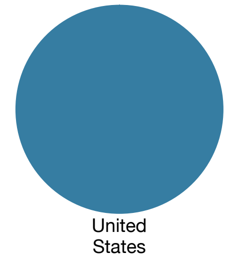
Historical Revenue (NZ$ millions)



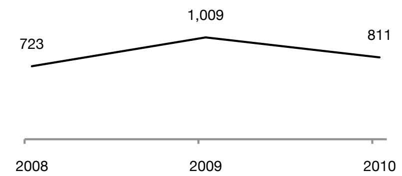
National Beverage

National Beverage Corporation (**National Beverage**) develops, manufactures, markets and distributes various beverage products in the United States. The company's products include energy drinks, powders, supplements and functionally enhanced juices and waters. National Beverage also develops and produces soft drinks for retailers and beverage companies. Its customers include retailers, mass merchandisers, wholesalers, hospitals, schools, military bases, airlines and hotels.

Revenue segmentation



Historical Revenue (NZ$ millions)



Appendix C
Valuation Methodology Descriptions

Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and share market prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cash flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessity involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Charlie's Group's case.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Charlie's Group. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix D
Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling the interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were

adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;

- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix E
Qualifications, Declarations and Consents

Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages private equity and property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Alexa Preston, BBus, CA and Christopher Smith, BCom, PGDipFin, DipAppFin. Each has a significant number of years of experience in relevant corporate advisory matters.

Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Charlie's Group. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Charlie's Group. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of Charlie's Group. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Charlie's Group. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Charlie's Group. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Charlie's Group prepared by the management of Charlie's Group. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Charlie's Group. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of

which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Charlie's Group is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Charlie's Group, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Charlie's Group, other than as publicly disclosed.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Asahi Offer. Grant Samuel expressly disclaims any liability to any Charlie's Group security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by Charlie's Group and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Charlie's Group or Asahi that could affect its ability to provide an unbiased opinion in relation to the Asahi Offer. Grant Samuel had no part in the formulation of the Asahi Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Asahi Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Charlie's Group and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Charlie's Group and contained within this report is sufficient to enable Charlie's Group security holders to understand all relevant factors and make an informed decision in respect of the Asahi Offer. The following information was used and relied upon in preparing this report:

Publicly Available Information

- Charlie's Group annual reports for the years ended 30 June 2008, 2009 and 2010;
- Charlie's Group interim reports for the six months to 31 December 2009 and 2010;
- the Target Company Statement prepared by Charlie's Group of which this report forms part;
- recent press articles and NZSX announcements regarding Charlie's Group;
- information from the Charlie's Group and Asahi Group websites;
- the Lock-In Agreements dated 3 July 2011; and
- other information on the Australasian non-alcoholic beverage industry and publicly listed companies with operations broadly comparable to Charlie's Group including annual reports, interim financial results, press reports, industry studies and information regarding the prospective financial performance of such companies.

Non Public Information

- drafts of the Implementation Deed between Asahi and Charlie's Group;
- the Charlie's Group budget for the year ending 30 June 2012;
- information pertaining to Charlie's Group's new product developments including estimated development costs and earnings potential;
- information regarding assumed run rates for sales to Woolworths and actual sales volumes to Coles Australia;
- Charlie's Group monthly management accounts;
- various Charlie's Group board papers and board reports for the period from June 2010 to May 2011; and
- other confidential correspondence, reports and legal advice as provided by Charlie's Group.

Declarations

Charlie's Group has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Charlie's Group has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Charlie's Group are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Charlie's Group. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to security holders of Charlie's Group. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.