

2011 **ANNUAL** REPORT



refresh
group

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CHAIRMAN'S REVIEW

Dear Shareholders

Key operations in all states other than Victoria were profitable last financial year, without accounting for impairment of goodwill. We have worked hard at turning the business around.

Western Australia did very well helped by a hot summer, achieving one of its best profits ever. New South Wales achieved profits for the first time and we expect it to continue to do well henceforth. In December 2010 and January 2011, Queensland was hit by massive flooding. This affected our business badly and reduced our profits. The biggest bottled water company in Queensland, Cooroy Mountain Spring Water, filed for administration on 1 September 2011 citing the flood as one of the causes. Victoria had a very cool summer which resulted in this being the only state to report a loss.

Since listing, Refresh has been looking for a substantial deal to leapfrog the company's growth. This resulted in the acquisition of Aridtec Pte Ltd, a Singapore based producer of air-to-water generators, in July 2010. Aridtec fell far short of its committed forecast. Not wanting to continue to finance its losses, Refresh sold the business back to the original shareholders through the cancelling of shares issued for the acquisition. The demerger was completed in June 2011 upon obtaining shareholders' approval. This resulted in a book loss of \$2 million. Details could be found in Note 23 of the Financial Statement.

Fusion H2O was acquired in May 2010 and ran as an independent division. Fusion is involved in the import of bottled water and distributes them Australia-wide. After incurring substantial losses, the division was closed at the end of January 2011. The business was then integrated into the existing Refresh branches. The transition has been smooth and better managed now under the respective state managers.

Manufacturing and retail are two sectors badly affected by Australia's 2-speed economy. Refresh is in both sectors and we have weathered the storm well. Performance has been good so far and we expect drastic improvement in results this financial year. Refresh was profitable for many consecutive years before our listing and we will strive to return Refresh to profitability.

I thank all management and staff for their contributions and dedication to the company. I also want to thank all shareholders for their continued support.



Henry Heng
Chairman

DIRECTORS' REPORT

Directors

The directors of Refresh Group Limited (Refresh) present the annual financial report of the company for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

The names and particulars of the directors of the company during or since the end of the financial year are:

Henry Heng *MBA, ACIB, G Dip PM* **Chairman and Managing Director**

Henry Heng is a member of the Remuneration Committee. He is a founding director of Refresh.

Henry started his career in banking and is an Associate of the Chartered Institute of Bankers, London. He subsequently held management positions in multi-national corporations. Henry's experience extends to small and medium enterprises, being founding partner of a chain of child care centres and a distribution business in Singapore. He was a licensed securities dealer with the Singapore Stock Exchange.

Henry is active in social and community services and was a volunteer migration agent. He was on the Board of Grace City Church for 11 consecutive years. He currently leads their Business Connect group. Henry is also Honorary Secretary of the Full Gospel Business Men's Fellowship International, Perth Chapter. Henry sits on the Council of Edith Cowan University and is also a member of their Resources Committee.

Henry holds a Master of Business Administration from Edith Cowan University, a Graduate Diploma in Personnel Management from Singapore Institute of Management and a Banking Diploma from The Chartered Institute of Bankers.

Appointed on 11 August 1997.

Edmund Teo *Non-Executive Director*

Edmund Teo is member of the Audit Committee. He is a founding director of Refresh.

Edmund had a successful career in journalism between 1974 and 1995. During this period he was a London Correspondent for The Straits Times newspapers in Singapore; Chief Transport Correspondent for The Straits Times; and Acting Assistant to the Editor of the financial section of The Straits Times. He left the newspaper as an Executive Sub-Editor in 1993 to live in Australia. In Perth, he worked as a Sub-Editor with The West Australian newspapers from 1993 to 1995.

Edmund was appointed an Executive Director in August 1997 and served in the position until December 2007. He is currently a Sub-Editor at Community Newspapers Group.

He holds Reporting Certificates with the British Institute of Careers (Australia) and the Graduate London School of Journalism.

Appointed on 11 August 1997.

Mun Yew Chan *B Arts (Hons), CA* **Non-Executive Director**

Mun Yew is Chairman of the Audit Committee and a member of the Remuneration Committee.

Mun Yew has almost 30 years of financial management experience at senior management levels in fast moving consumer goods, electronics, telecommunications, oilfield service and public accounting. Mr Chan began his career at Ernst & Young and went on to hold financial controller/director positions with major multinational corporations listed on NYSE and NASDAQ namely National Semiconductor, Quantum Corp, Schlumberger Inc. and Glenayre Inc.

He was a non-executive and independent director of Jade Technologies Holdings Ltd, a company listed on the Catalyst Board of Singapore Exchange Ltd. Besides being Chairman of the Audit Committee, he was also a member of the Nominating & Corporate Governance Committee and Remuneration Committee.

Mun Yew holds a Bachelor of Arts (Honours) in Economics and Accounting from the University of Newcastle, United Kingdom and is a Chartered Accountant (ICAEW).

Appointed on 13 July 2010.

DIRECTORS' REPORT

Jamie Gee Choo Khoo *MBA, B Acc Independent, Non- Executive Director*

Jamie is Chairman of Remuneration Committee and a member of the Audit Committee.

From September 2008 to September 2010, Ms Khoo was the Executive Director of Adventus Holdings Ltd, a company listed on the Catalist Board of Singapore Exchange Ltd. Ms Khoo has much experience in mergers and acquisitions and capital raising. Under her leadership, Adventus was transformed from a fledging electronics company to a telecommunications distribution and resources trading company. Ms Khoo has also held senior positions in various companies including STT Communications Ltd and Hughes Tool Singapore Pte Ltd of Singapore and ABB Holding Ltd of Hong Kong.

She is also an independent, non-executive director of ASX-listed MDS Financial Group Ltd.

Ms Khoo graduated from the National University of Singapore with a Bachelor of Accountancy and the University of Hull, United Kingdom, with a Master of Business Administration.

Appointed on 1 November 2010.

Chee Keong Oh *M Sc.*

Chee Keong is the inventor of the patented Airqua technology. He started his career in an information technology firm and has held various positions in multinational corporations including AT&T, GIS, Citibank and Goldman Sachs. It was in Singapore government-linked AgilisCommunication Technology that he honed his blend of skills. Apart from inventing the Airqua technology, he had created other technologies such as a financial system that can provide 9-period look-forward scenarios.

Chee Keong graduated from the University of Wisconsin, United States, with a Master in Computer Sciences.

Chee Keong served as an executive director from 13 July 2010 to 29 June 2011.

Alan Ong *MBA, B Eng (Hons)*

Alan graduated from the Nanyang Technological University, Singapore, with an honours degree in engineering. He started his career as a Quality Assurance Engineer and progressed to Principal Engineer with a large Singapore government-linked company. He was subsequently involved in business development work with the Singapore Technologies group dealing with water treatment systems. Alan has over 20 years of industry experience.

After securing a Master of Business Administration in Banking & Finance from the same university, Alan moved into a career in banking and spent a total of 11 years in the consumer banking sector. His last appointment was as Group Sales Head, First Vice President with the United Overseas Banking Group, Singapore.

Alan currently runs his own mortgage broking business.

Alan served as an Independent non-executive director from 27 November 2008 to 18 February 2011.

Besides Mun Yew Chan and Jamie Khoo, no director held directorship in any other listed company in the last three years.

DIRECTORS' REPORT

Secretary

The name and particulars of the secretary of the company during or since the end of the financial year is:

Jamie Gee Choo Khoo *MBA, B Acc* **Company Secretary**

From September 2008 to September 2010, Ms Khoo was the Executive Director of Adventus Holdings Ltd, a company listed on the Catalist Board of Singapore Exchange Ltd. Ms Khoo has much experience in mergers and acquisitions and capital raising. Under her leadership, Adventus was transformed from a fledging electronics company to a telecommunications distribution and resources trading company. Ms Khoo has also held senior positions in various companies including STT Communications Ltd and Hughes Tool Singapore Pte Ltd of Singapore and ABB Holding Ltd of Hong Kong.

She is also an independent, non-executive director of ASX-listed MDS Financial Group Ltd.

Ms Khoo graduated from the National University of Singapore with a Bachelor of Accountancy and the University of Hull, United Kingdom, with a Master of Business Administration.

Appointed on 1 March 2011

Mary Ang held the position of Company Secretary from 18 June 2009 to 1 March 2011.

Mary Ang has more than 20 years of diverse management and consulting experience in areas of finance, tax and treasury, gained from her employment with multi-national companies and international accounting firms including Unisys International and Ernst and Young.

Mary graduated with a Bachelor of Accountancy from the National University of Singapore and is a Certified Practising Accountant of CPA Australia. She is also a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore.

DIRECTORS' REPORT

(a) Review of operations and financial results

Our revenue showed a 12.8% increase despite a very tough operating environment. Key operations in all states other than Victoria were profitable. Queensland was badly hit by the flood in December/January period this financial year, which affected their performance. The large impact however was due to the recent acquisition of Fusion H2O and Aridtec.

On acquisition, Fusion operated as an independent division. As a result of losses incurred by the new management at subsidiary level, the Board made a decision to close the division and integrate the business into the various States thereby saving substantial costs and improving management of the operating unit.

Aridtec failed to deliver on its forecast. With shareholders' approval, the Company reached mutual consent with its original owners to demerge Aridtec and sell the business back cancelling all shares issued for the acquisition. No cash changed hands during the acquisition or demerger, however due to the current price of Refresh shares having declined at the point of the demerger, it was necessary for the Company to reflect the difference as a loss. Accounting for the difference in the cost of demerger resulted in a large impact of about \$2 million to the bottom line.

During the year, additional capital of \$1.1m was raised.

The Chairman's Review contains further information on the detailed operations of the Group during the year.

(b) Significant Changes in State of Affairs

The following significant changes in the state of affairs of the consolidated group occurred during the financial year:

- i. On 13 July 2010, the Group acquired 100% of the issued capital of AridTec Pte Ltd, a Singapore-based company. The purchase consideration was 71,800,000 ordinary shares in Refresh Group Limited based on 6.5 cents each.
- ii. With effect from 1 February 2011, Fusion division was closed down and all Fusion sales are now handled by Refresh branches in each state.
- iii. On 29 June 2011, the Group disposed of Aridtec Pte Ltd by selling the business back to its original owners, cancelling all shares issued for the acquisition. There was no cash consideration on the demerger.

(c) Principal Activities

The principal activity of Refresh during the year was the production and/or distribution of lifestyle products like bottled water, coolers and filtration systems. There was no significant change in the nature of the activity of the entity during the year.

(d) Significant after Balance Date Events

No other matter or circumstance has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group, in future financial years.

(e) Likely Future Developments

The Group will be focusing on its core business for the next financial year and no major change in activity is expected.

(f) Performance in Relation to Environmental Regulation

Federal and State governments regulate bottled water as a food product under the Australian and New Zealand Code Standard 08. All Refresh bottling plants meet the requirements stipulated in the Food Code.

In addition to collection of rain water where feasible, all bottling plants currently use state supplied water for purposes of steam-distilling it.

To reduce our carbon footprint, the Perth factory has solar panels installed providing 2.2 kw of power.

DIRECTORS' REPORT

(g) Dividends

No dividend has been paid or declared for the year ended 30 June 2011. No dividend was paid in the prior year.

(h) Meetings of Directors

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Henry Heng	6	6	-	-	3	3
Edmund Teo	6	3	4	2	-	-
Alan Ong	3	3	3	3	2	2
Mun Yew Chan	6	5	4	4	-	-
Chee Keong Oh	6	4	-	-	3	1
Jamie Khoo	3	3	1	1	1	1

There was no nominations committee during the financial year and all decisions were made by the full Board.

(i) Remuneration Report (Audited)

The performance of Refresh depends upon the quality of its directors and key management personnel. To achieve success, the company must attract, motivate and retain highly skilled directors and key management personnel. To this end, the company proposes to adopt the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre key management personnel;
- Link executive rewards to shareholder value and
- Establish appropriate performance hurdles in relation to variable key management personnel remuneration.

Company Performance, Shareholder Wealth and Director and Key Management Personnel Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and key management personnel. There have been 2 methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators (KPIs), and the second being the issue of options to directors and key management to encourage the alignment of personal and shareholder interests. The company believes this policy has been effective.

Remuneration for all directors is determined by the Board, within the maximum amount approved by shareholders from time to time. At present, the aggregate sum is fixed at a maximum of \$200,000 per annum. Superannuation is paid on director fees.

All executive directors and key management personnel receive a base salary, superannuation, fringe benefits, options and performance incentives. Performance incentive is paid upon achievement of KPIs or performance targets. The KPIs are set annually, with a certain level of consultation with key management personnel. The measures are specifically tailored to the areas each key management personnel are involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

The company's remuneration policy was implemented after the listing and there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and company performance. Over the years, several directors and key management personnel have achieved their targets and received performance incentives

DIRECTORS' REPORT

(i) Remuneration Report (Audited) (cont)

To align the interests of the directors and key management of Refresh, the Directors and Executives Option Scheme provides a cost-effective and efficient long-term incentive to them which is linked to the performance of the company. By rewarding executives with the issue of options, Refresh will be able to reward them without having to commit cash resources to do so. Directors and key management personnel are granted options annually. This is to motivate them to pursue the long term growth and success of the company within an appropriate control framework and demonstrate a clear relationship between key management performance and remuneration. Details of the scheme are found on Note 27 of the Financial Report.

All remuneration paid is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology.

(j) Directors and Key Management Personnel Disclosure

(i) Remuneration of Directors

	PRIMARY		POST EMPLOYMENT		EQUITY	OTHER	TOTAL	% REMUNERATION
	Salary & Fees \$	Non Monetary benefits \$	Superan- nuation \$	Retirement benefits \$	Options \$	\$	\$	Shares/Option Related
Directors								
30 June 11								
Mr H Heng	159,563	971	14,361	-	920	2,491	178,306	1%
Mr E Teo	15,000	-	1,350	-	-	-	16,350	-
Mr A Ong	10,827	-	974	-	-	-	11,801	-
Mr M Y Chan	16,452	-	1,481	-	-	-	17,933	-
Mr C K Oh	14,516	-	1,306	-	-	-	15,822	-
Ms J Khoo	9,726	-	875	-	-	-	10,601	-
Total	226,084	971	20,347	-	920	2,491	250,813	
30 June 10								
Mr H Heng	95,000	939	8,550	-	7,440	1,904	113,833	7%
Mr E Teo	15,000	-	1,350	-	-	-	16,350	-
Mr A Ong	15,059	-	1,355	-	-	-	16,414	-
Mr A Soh	14,821	-	1,334	-	-	-	16,155	-
Total	139,880	939	12,589	-	7,440	1,904	162,752	

DIRECTORS' REPORT

(j) Directors and Key Management Personnel Disclosure (cont)

(ii) Remuneration of Key Management Personnel

The key management of Refresh includes:

Ms M Ang	Chief Financial Officer
Mr S Lin	Western Australia Director
Mr R Bolton	Queensland Director
Mr H Ho	Melbourne Manager
Mr Y Ruan	Sydney Manager

	PRIMARY		POST EMPLOYMENT		EQUITY	SHARE-BASED PAYMENT	OTHER	TOTAL	% REMUNERATION
	Salary & Fees \$	Non Monetary benefits \$	Superannuation \$	Retirement benefits/ termination \$	Options \$	Remuneration \$		\$	Shares/Option Related
30 June 11									
Ms M Ang	80,045	-	7,204	-	-	-	-	87,249	-
Mr S Lin ¹	77,001	-	6,746	-	644	-	-	84,391	1%
Mr R Bolton	72,692	-	6,542	-	644	-	-	79,878	1%
Mr H Ho	62,156	-	5,327	-	552	-	-	68,035	1%
Mr Y Ruan	62,822	-	5,545	-	552	-	-	68,919	1%
Total	354,716	-	31,364	-	2,392	-	-	388,472	
30 June 10									
Ms M Ang	70,332	-	7,830	-	5,208	-	-	83,370	6%
Mr H Jones ²	4,577	-	412	-	-	-	-	4,989	-
Mr D Hadi ³	72,359	2,933	6,310	-	5,208	-	1,750	88,560	6%
Mr R Bolton	75,000	-	6,750	-	5,208	-	-	86,958	6%
Mr H Ho	59,949	-	5,057	-	4,464	-	-	69,470	6%
Mr Y Ruan	54,718	-	4,763	-	4,464	-	-	63,945	7%
Total	336,935	2,933	31,122	-	24,552	-	1,750	397,292	

¹ Mr Lin was appointed as Western Australia Director on 1 March 2011.

² Mr Jones left the company on 31 January 2011.

³ Mr Hadi left the company on 8 October 2010.

DIRECTORS' REPORT

(j) Directors and Key Management Personnel Disclosure (cont)

(iii) Remuneration options: Granted and vested during the year

During the financial year, options were granted as equity compensation benefits under the Directors and Executives Option Scheme (DEOS) to certain directors and specified key management personnel as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.065 granted on 19 October 2010.

	Vested	Granted	Terms & Conditions for each Grant			
	No.	No.	Grant Date	Value per option at grant date \$	Exercise price per share \$	Expiry Date
Directors:						
Mr H Heng	100,000	100,000	19/10/10	0.0092	0.065	18/10/11
Key Management Personnel:						
Mr S Lin	70,000	70,000	19/10/10	0.0092	0.065	18/10/11
Mr B Bolton	70,000	70,000	19/10/10	0.0092	0.065	18/10/11
Mr Y Ruan	60,000	60,000	19/10/10	0.0092	0.065	18/10/11
Mr H Ho	60,000	60,000	19/10/10	0.0092	0.065	18/10/11
	360,000	360,000				

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

(iv) Shareholdings of Directors

Shares held in Refresh Group Limited as at 29 September 2011:

Mr H Heng	10,512,909
Mr E Teo	7,994,900

DIRECTORS' REPORT

(k) Indemnifying Directors and Officers

The Company has taken out a Directors and Officers Liability Insurance protecting directors and officers against claims resulting from management decisions for a premium of \$11,432. The insurance contract prohibits disclosure of the limit of liability, the nature of liability indemnified or the premium paid.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director or officer of the Company or of any related body corporate against a liability incurred by such a director or officer.

(l) Non-audit Services

The directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services did not compromise the auditor independence for the following reasons:

- All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of amount paid to auditors for audit and non-audit services provided during the year are disclosed in Note 26.

(m) Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to such proceedings during the year.

(n) Auditor's Independence Declaration

The auditor's independence declaration under section 370C is included on page 11 of the Directors' Report.

Signed in accordance with a resolution of the directors made pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the directors



Henry Heng
Managing Director
PERTH, 29 September 2011

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

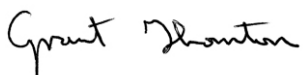
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**Auditor's Independence Declaration
To the Directors of Refresh Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Refresh Group Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Director - Audit & Assurance

Perth, 29 September 2011

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED	
		2011 \$	2010 \$
Revenue	6a	6,253,495	5,545,486
Cost of Sales		(3,011,884)	(2,111,397)
Gross Profit		3,241,611	3,434,089
Other income		1,995	(29,945)
Marketing Expenses		(824,788)	(411,323)
Distribution Expenses		(1,416,590)	(1,235,140)
Administrative Expenses		(1,584,669)	(1,600,595)
Occupancy Expenses		(572,506)	(560,454)
Other expenses	15	(441,279)	(1,904)
Results from operating activities		(1,596,226)	(405,272)
Finance income	6c	3,122	13,335
Finance costs	6d	(63,217)	(28,386)
Loss before income tax		(1,656,321)	(420,323)
Income tax (expense)/benefit	7	-	-
Net loss from continuing operations		(1,656,321)	(420,323)
Loss from discontinued operations	23	(1,996,928)	-
Net Loss Attributable to Members of Refresh Group Limited		(3,653,249)	(420,323)
Other comprehensive income			
Foreign currency translation		-	-
Total Comprehensive Income/(loss) Attributable to Members of Refresh Group Limited		(3,653,249)	(420,323)
Basic/diluted loss per share (cents per share)	8		
Loss from continuing operations		(1.09)	(0.62)
Loss from discontinued operations		(1.30)	(0.00)
Total		(2.39)	(0.62)

The accompanying notes form part of the Statement of Comprehensive Income

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	10	130,287	536,891
Trade and other receivables	11	543,323	650,036
Inventories	12	962,873	1,080,880
Total Current Assets		1,636,483	2,267,807
Non-Current Assets			
Other financial assets	13	1,050	1,050
Property, plant and equipment	14	2,174,117	2,018,488
Intangible assets	15	723,323	1,164,602
Total Non-Current Assets		2,898,490	3,184,140
TOTAL ASSETS		4,534,973	5,451,947
LIABILITIES			
Current Liabilities			
Trade and other payables	17	675,770	956,609
Financial liabilities	18	379,771	46,706
Short-term provisions and accruals	19	122,185	102,520
Total Current Liabilities		1,177,726	1,105,835
Non-Current Liabilities			
Financial liabilities	18	65,580	34,606
Long-term provisions	19	48,057	49,106
Total Non-Current Liabilities		113,637	83,712
TOTAL LIABILITIES		1,291,363	1,189,547
NET ASSETS		3,243,610	4,262,400
EQUITY			
Issued capital	20	8,406,595	5,843,333
Reserves	20	191,712	187,020
Accumulated losses		(5,354,697)	(1,767,953)
TOTAL EQUITY		3,243,610	4,262,400

The accompanying notes form part of the Statement of Financial Position

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Fund Raising Cost	Other Reserves	Accumulated Losses	Total
CONSOLIDATED					
Balance at 1 July 2009	5,113,070	(334,077)	141,883	(1,347,630)	3,573,246
Equity fund raising costs	-	(130,691)	-	-	(130,691)
Issue of share capital	1,195,031	-	-	-	1,195,031
Cost of share-based payments	-	-	45,137	-	45,137
Transactions with owners	6,308,101	(464,768)	187,020	(1,347,630)	4,682,723
Total comprehensive loss for the period	-	-	-	(420,323)	(420,323)
Balance at 30 June 2010	6,308,101	(464,768)	187,020	(1,767,953)	4,262,400
 Balance at 1 July 2010	 6,308,101	 (464,768)	 187,020	 (1,767,953)	 4,262,400
Equity fund raising costs	-	(74,787)	-	-	(74,787)
Issue of share capital	5,794,049	-	-	-	5,794,049
Cancellation of shares	(3,156,000)	-	-	-	(3,156,000)
Cost of share-based payments	-	-	4,692	-	4,692
Reclassification of prior year depreciation adjustments ¹	-	-	-	66,505	66,505
Transactions with owners	8,946,150	(539,555)	191,712	(1,701,448)	6,896,859
Total comprehensive loss for the period	-	-	-	(3,653,249)	(3,653,249)
Balance at 30 June 2011	8,946,150	(539,555)	191,712	(5,354,697)	3,243,610

¹Adjustments have been made to prior periods arising from cumulative errors in the calculation of depreciation in previous years.

The accompanying notes form part of the Statements of Changes in Equity

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		6,357,087	5,719,934
Payments to suppliers and employees		(7,791,892)	(6,006,161)
Borrowing costs		(63,217)	(28,386)
Interest received		3,122	13,335
Net cash flows (used in) operating activities	10	<u>(1,494,900)</u>	<u>(301,278)</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, and investment		12,879	7,455
Purchase of property, plant and equipment		(365,897)	(209,923)
Repayment to director related entity		-	(174,549)
Purchase of other non-current assets		-	-
Acquisition of subsidiaries, net of cash acquired		-	(270,000)
Net cash flows used in investing activities		<u>(353,018)</u>	<u>(647,017)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,102,050	518,250
Proceeds from borrowings		450,011	75,246
Share Issue expenses		(49,788)	(130,691)
Repayments of borrowings		(60,959)	(234,473)
Net cash flows provided by financing activities		<u>1,441,314</u>	<u>228,332</u>
Net (decrease)/ increase in cash and cash equivalents		(406,604)	(719,963)
Cash and cash equivalents at beginning of period		536,891	1,256,854
Cash and cash equivalents at end of period	10	<u>130,287</u>	<u>536,891</u>

The accompanying notes form part of the Statement of Cash Flows

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of Refresh Group Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 29 September 2011.

Refresh Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's principal activities are the production and/or distribution of lifestyle products like bottled water, coolers and filtration systems.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Overall considerations

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010.

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes 3.2 to 3.3. An overview of standards, amendments and interpretations to IFRSs and AASBs issued but not yet effective is given in note 2.4.

2.2 Adoption of improvements to IFRSs 2009 – AASB 2009-5

The *Improvements to IFRSs 2009* (issued as AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*) made several minor amendments to IFRSs. The only amendment relevant to the Group relates to AASB 117 *Leases*. The amendment requires that leases of land are classified as finance or operating by applying the general principles of AASB 117. Prior to this amendment, AASB 117 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 July 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

2.3 Adoption of Improvements to IFRSs 2010 - AASB 2010-3

The IASB has issued *Improvements to IFRS 2010* (2010 Improvements) which was issued in Australia as AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvement Project*. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of AASB 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The 2010 Improvements did not have a material impact on the Group's financial statements.

2.4 New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. CHANGES IN ACCOUNTING POLICIES (Cont)

2.4 New Accounting Standards for Application in Future Periods (Cont)

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. CHANGES IN ACCOUNTING POLICIES (Cont)

2.4 New Accounting Standards for Application in Future Periods (Cont)

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. CHANGES IN ACCOUNTING POLICIES (Cont)

2.4 New Accounting Standards for Application in Future Periods (Cont)

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Refresh Group Limited and its controlled entities as at 30 June 2011 ('the Group'). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Inter-company loans which have no interest or repayment terms are effectively investments in controlled entities and are reflected at cost. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent entity

3.4 Property, plant and equipment

Plant and equipment, including leasehold improvements are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	5 to 20 years
Plant and equipment	5 to 20 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

3.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its non-financial tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset, being higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.7 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

3.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials - purchase cost
- Finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.9 Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in bank and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.12 Share-based payment transactions

Share-based payments are provided to directors and employees of the Group whereby employees render services in exchange for shares or rights over shares.

There are currently two plans in place to provide these benefits:

- i. The Directors and Executives Option Scheme (DEOS), which provides benefits to directors and senior executives, and
- ii. The Employee Share Scheme (ESS), which provides benefits to all employees, excluding directors and senior executives.

Details of the plans are covered under Note 27 Employee Benefits.

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid-price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3.13 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.14 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest Received

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

3.15 Borrowing costs

All borrowing costs are recognised in income in the period in which they are incurred and reported in 'finance costs'.

3.16 Income tax

The income tax expense (revenue) for the year comprise current income tax expense (income) and deferred tax expense (income).

Deferred income tax expense reflects movements in deferred tax liability balances arising during the year.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.16 Income tax (Cont)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

3.17 Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale.

3.18 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.19 Business Combinations

The purchase method of accounting is used to account for all business combinations, unless it is a business combination involving entities or businesses under control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition the value of the instruments is their published market price as at the date of exchange or at an agreed average based on the published market price. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.20 Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash or cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement

3.21 Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets including property, plant and equipment, identifiable intangible assets and goodwill. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, including levels of operating revenue and terminal value of assets. A material change to these key assumptions could result in material adjustment to the carrying values of non-current assets.

Impairment of \$441,279 has been recognised in respect of non-current assets including intangibles (goodwill) for the year ended 30 June 2011. Further particulars of impairment testing can be found in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3.21 Critical accounting estimates and judgements (Cont)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes formula, with the assumptions detailed in Note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Inter-company loan

The parent entity impaired its loan receivable in controlled entities. The value was determined based upon financial modelling which was undertaken to determine the recoverable amount.

Key judgements

Carbon tax impact

On July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

3.22 Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Consolidated entity incurred a net loss of \$3,653,249 and had cash outflows from operations of \$1,494,900 during the year ended 30 June 2011. As at 30 June 2011, the consolidated entity had \$82,000 available under a related party revolving line of credit.

The ability of the consolidated entity to continue paying its debts as and when they fall due is dependent upon the consolidated entity improving the profitability of its operations, the raising of additional equity funds and finance funding from related parties (as and when required) or limiting the consolidated entity's cash burn rate.

Moving forward, the Group is showing improvement in its cash outflows with the closure of the Fusion division and demerger of AridTec. The Group continues to focus on its core business, expecting growth in revenue and profitability in the near future.

In the event that the consolidated entity is unable to continue as a going concern, it may be required to realise all assets at amounts different from that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business, and make provision for other costs which may arise as a result of cessation or curtailment of normal business procedures.

4. OPERATING SEGMENTS

Segment Information

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

In identifying its operating segment, management follows the geographical location of the Group's operations. Corporate costs are included under "Other".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

4. OPERATING SEGMENTS (Cont)

Types of products and services by segment

All segments provide the same type of products and services being the manufacture and sale of bottled water and filtration systems.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

(b) Intersegment transactions

There is no intersegment sales and corporate costs are not allocated. Corporate costs are classified under "Other" in the segment performance analysis.

(c) Segment assets

Segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

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

(e) Unallocated items

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

- impairment of assets and other non-recurring items of revenue or expense
- income tax expense
- corporate costs
- deferred tax assets and liabilities
- current tax liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

4. OPERATING SEGMENTS (Cont)

Basis of accounting for purposes of reporting by operating segments (Cont)

(f) Segment performance

	WA	NSW	VIC	QLD	FUSION ¹ (National)	OTHER (Corporate)	TOTAL
30 June 2011							
Revenue from external customers	2,699,438	1,107,960	453,384	1,232,773	759,940	-	6,253,495
Segment operating profit/(loss)	136,439	62,516	(147,101)	(226,113)	(944,901)	(2,534,089)	(3,653,249)
Impairment loss	-	-	(108,091)	(234,723)	(98,465)	-	(441,279)
Loss from discontinued operations	-	-	-	-	-	(1,996,928)	(1,996,928)
Segment operating profit/(loss) excluding impairment/loss from discontinued operations	136,439	62,516	(39,010)	8,610	(846,436)	(537,161)	(1,215,042)
Total assets	2,093,170	762,795	324,781	1,339,238	-	14,989	4,534,973
Total liabilities	887,114	4,612	1,327	67,371	-	330,939	1,291,363
30 June 2010							
Revenue from external customers	2,571,794	1,102,749	444,917	1,386,305	39,721	-	5,545,486
Segment operating profit/(loss)	85,494	(6,492)	(7,319)	40,142	(24,435)	(507,713)	(420,323)
Total assets	2,475,077	799,046	403,371	1,233,210	123,363	417,880	5,451,947
Total liabilities	451,937	27,159	1,534	72,270	-	636,647	1,189,547

¹ Fusion division was closed down with effect from 1 February 2011 and all Fusion sales are now handled by Refresh branches in each State.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5. ACQUISITIONS AND DISPOSALS

5.1 Acquisition of AridTec

On 13 July 2010, the Group acquired 100% of the issued capital of AridTec Pte Ltd, a Singapore-based company. AridTec is a manufacturer of water harvesting and purification of equipment. It is the parent company of AirQua International Pte Ltd, providing atmospheric water solutions. The purchase consideration was 71,800,000 ordinary shares in Refresh Group Limited based on 6.5 cents each and issue of up to 48,200,000 deferred shares based on 6.5 cents each no later than 1 November 2011 dependent on the profitability of AridTec.

Purchase consideration	\$
Equity issued as consideration	<u>4,667,000</u>
Total consideration	<u>4,667,000</u>
Fair value of assets acquired (see below)	4,136,781
Goodwill	<u>530,219</u>
	<u><u>4,667,000</u></u>
Assets and liabilities held at acquisition date:	
Cash on hand	37
Receivables	42,141
Inventories	242,215
Plant & equipment	67,416
Patent	4,000,000
Payables	(215,028)
Net Assets acquired	<u><u>4,136,781</u></u>

The above figures are computed based on exchange rate of A\$1 against S\$1.20.

Key factor contributing to the \$530,219 of goodwill is the future profitability, revenue growth, international market penetration and economies of scale.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

AridTec incurred a loss of \$298,541 for the 11 months from 13 July 2010 to the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5. ACQUISITIONS AND DISPOSALS (Cont)

5.2 Disposal of AridTec

On 29 June 2011, the Group disposed of its newly acquired subsidiary, AridTec Pte Ltd by way of selling back the entity to its original owners. This demerger resulted in the cancellation of all shares issued for the acquisition. There is no cash consideration on this transaction.

The loss on disposal recognised at the date of disposal was as follows:

Net liabilities	(161,760)
Goodwill on consolidation	530,219
Patent cost net of amortisation ¹	<u>2,900,000</u>
Total Net Assets	3,268,459
 Fair value of AridTec shares cancelled ²	 <u>(3,156,000)</u>
Loss on disposal of subsidiary	<u>112,459</u>

¹ On 20 April 2011, the Directors resolved to write down the value of intellectual property by \$1,100,000.

² The fair value of the cancelled shares was based on the Independent Expert's Report prepared by Moore Stephens.

6. REVENUE AND EXPENSES

	CONSOLIDATED	
	2011	2010
	\$	\$
a. Revenue		
Sale of bottled water and accessories	<u>6,253,495</u>	<u>5,545,486</u>
	6,253,495	5,545,486
b. Employee benefits expense		
Wages, salaries and payroll taxes	2,117,328	2,153,823
Workers' compensation costs	53,231	61,514
Superannuation costs	192,528	190,727
Provisions for Annual and Long Service Leave	14,205	30,715
Expense of share-based payments	4,692	49,137
Other employee benefits expense	<u>151,306</u>	<u>88,060</u>
	2,533,290	2,573,976
c. Finance income		
Interest received	<u>3,122</u>	<u>13,335</u>
	3,122	13,335
d. Finance Costs		
Bank loans and other borrowings	51,372	18,550
Finance charges payable under finance leases and hire purchase contracts	<u>11,845</u>	<u>9,836</u>
	63,217	28,386

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

7. INCOME TAX

	CONSOLIDATED 2011	2010
	\$	\$

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%
(2009: 30%)

- Consolidated Group	(1,095,975)	(126,097)
Add:		
Tax effect of:		
- Non-deductible expenses	738,221	15,568
- Other assessable items	-	-
- Tax losses not brought to account as a deferred tax asset	357,754	110,529
	-	-
Less:		
Tax effect of:		
Under provision in respect of prior years	-	-
Reversal of deferred tax	-	-
Recoupment of prior year tax losses not previously brought to account	-	-
	-	-
Income tax expense/(benefit) attributable to entity	-	-

Unrecognised deferred tax balances

The following deferred tax assets and liabilities have not been brought to account:

Unrecognised deferred tax asset losses	1,068,915	677,238
Unrecognised deferred tax assets other	88,236	100,297
Unrecognised deferred tax liabilities	(220,361)	(180,019)
	936,790	597,516

Tax consolidation

Refresh Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the "stand-alone taxpayer" approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has agreed that differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised are recognised as either a contribution by, or distribution to the head entity. The head entity is Refresh Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares).

The following reflects the loss and share data used in the total operations basic and diluted loss per share computations:

	CONSOLIDATED	
	2011	2010
	\$	\$
Loss attributable to equity holders of the parent	(3,653,249)	(420,323)
Weighted average number of ordinary shares for basic earnings per share	152,619,326	67,278,594
Basic loss per share (cents per share)		
Loss from continuing operations	(1.09)	(0.62)
Loss from discontinued operations	(1.30)	-
Total	(2.39)	(0.62)

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

9. DIVIDENDS PAID AND PROPOSED

No dividend has been paid or declared for the year ended 30 June 2011. No dividend was paid in the previous year.

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011	2010
	\$	\$
Cash at bank and in hand	130,287	536,891

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

	CONSOLIDATED	
	2011	2010
	\$	\$
Reconciliation from the net profit / (loss) after tax to the net cash flows from operations		
Net Profit/(Loss) after income tax	(3,653,249)	(420,323)
<i>Adjustments for:</i>		
Depreciation expense	262,856	231,428
Impairment of goodwill	441,279	-
Net (profit)/loss on disposal of property, plant and equipment	1,039	29,945
Net loss on disposal of subsidiary	1,511,000	-
Employee shares / options expensed	4,692	45,137
<i>Changes in assets and liabilities</i>		
(increase)/decrease in inventories	118,006	(245,674)
(increase)/decrease in trade and other receivables	106,712	(35,852)
(decrease)/increase in trade and other payables	(305,852)	54,517
(decrease)/increase in short-term provisions	18,617	39,544
Net cash used in operating activities	(1,494,900)	(301,278)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2011	2010
	\$	\$
Current		
Trade receivables	475,945	466,596
Provision for impairment of receivables	(21,054)	(21,054)
	454,891	445,542
Other receivables	69,994	88,195
Prepayments	18,438	116,299
	543,323	650,036

	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)			Within initial trade terms
			31-60	61-90	>90	
Consolidated 2011						
Trade receivables	475,945	21,054	126,827	40,248	48,476	239,340
Other receivables	69,994	-	177	-	41,949	27,868
	545,939	21,054	127,004	40,248	90,425	267,208
2010						
Trade receivables	466,596	21,054	109,605	47,173	1,824	286,940
Other receivables	88,195	-	1,158	-	63,727	23,310
	554,791	21,054	110,763	47,173	65,551	310,250

12. INVENTORIES

	CONSOLIDATED	
	2011	2010
	\$	\$
Raw materials (at cost)	409,238	443,747
Finished goods (at cost)	623,670	637,133
	1,032,908	1,080,880
Provision for slow moving inventories	(70,035)	-
Total inventories at lower of cost and net realisable value	962,873	1,080,880

13. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2011	2010
	\$	\$
Non-Current		
Other listed securities held for trading	1,050	1,050
	1,050	1,050

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

14. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED Plant and equipment
	<u>\$</u>
Year ended 30 June 2011	
At 30 June 2011	
Cost	3,608,208
Accumulated depreciation	<u>(1,434,091)</u>
Net carrying amount	<u>2,174,117</u>

Movements in Carrying Amounts

At 1 July 2010	2,018,488
Additions	365,897
Disposals	(13,918)
Reclassification of prior year's depreciation adjustment	66,505
Depreciation charge for the year	<u>(262,855)</u>
At 30 June 2011	<u>2,174,117</u>

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$117,350 (2010: \$78,361). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

	CONSOLIDATED Plant and equipment
	<u>\$</u>
Year ended 30 June 2010	
At 30 June 2010	
Cost	3,285,294
Accumulated depreciation	<u>(1,266,806)</u>
Net carrying amount	<u>2,018,488</u>

Movements in Carrying Amounts

At 1 July 2009	2,005,858
Additions	209,923
Additions through acquisition of entities	71,535
Disposals	(37,400)
Depreciation charge for the year	<u>(231,428)</u>
At 30 June 2010	<u>2,018,488</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. INTANGIBLE ASSETS

	CONSOLIDATED		
	Goodwill	Trademarks	Total
	\$	\$	\$
At 1 July 2010	1,160,239	4,363	1,164,602
Impairment of goodwill	(441,279)	-	(441,279)
At 30 June 2011	718,960	4,363	723,323

Trademarks relate to registered trademarks which have been purchased during business combinations.

The useful lives of these intangible assets were estimated as indefinite and the cost method was utilised for their measurement.

As at 30 June 2011, these assets were tested for impairment (see Note 16).

The goodwill impairment loss in 2011 has been included in 'Other expenses'. The impairment loss has been attributed to the Toowoomba (\$158,069), Fusion (\$98,465), Brisbane (\$76,654) and Melbourne (\$108,091) cash generating units.

16. IMPAIRMENT OF ASSETS

Goodwill is allocated to the Company's cash generating units "CGUs". The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

In accordance with AASB 136, "Impairment of Assets", the Company performed its goodwill impairment test by comparing the recoverable amount of each CGU with its carrying amount, including goodwill.

Refresh Waters Perth cash generating unit

The carrying amount of goodwill for this generating unit is \$41,461. The recoverable amount of the Perth cash generating unit has been determined based on a value-in-use calculation.

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 14%.

The Board anticipates growth in revenue of around 5% for each of the next 5 years, with a net profit margin before tax of 10% for Perth.

Cash flows beyond that 5-year period have not been extrapolated as it has been assumed that there is no growth rate. This growth rate does not exceed the long-term average growth rate for the market in which Perth operates. Management believes that any reasonably possible change in the key assumptions on which Perth's recoverable amount is based would not cause Perth's carrying amount to exceed its recoverable amount.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Refresh Waters Sydney cash generating unit

The carrying amount of goodwill for this generating unit is \$113,182, including goodwill of Moores. The recoverable amount of Sydney cash generating unit has been determined based on a value-in-use calculation.

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 14%.

The Board anticipates growth in revenue of around 5% for each of the next 5 years, with a net profit margin of 8% for Sydney.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

16. IMPAIRMENT OF ASSETS (cont)

Cash flows beyond that 5-year period have not been extrapolated as it has been assumed that there is no growth rate. This growth rate does not exceed the long-term average growth rate for the market in which Sydney operates. Management believes that any reasonably possible change in the key assumptions on which Sydney's recoverable amount is based would not cause Sydney's carrying amount to exceed its recoverable amount.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Refresh Waters Melbourne cash generating unit

The carrying amount of goodwill for this generating unit has been fully impaired as at 30 June 2011. The recoverable amount of Melbourne cash generating unit has been determined based on a value-in-use calculation.

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 14%.

Melbourne cash generating unit's financial performance has not been improving. The Board anticipates its growth in revenue of 10% for each of the next 5 years, with a net profit margin of 5%.

Cash flows beyond that 5-year period have been extrapolated based on the growth rate of 3.6%. This growth rate does not exceed the long-term average growth rate for the market in which Melbourne operates.

The estimate of recoverable amount for Melbourne is sensitive to the discount rate and achievement of forecasts. This resulted in an impairment of goodwill and tangible assets of \$108,091.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Refresh Waters Brisbane cash generating unit

The carrying amount of goodwill for this generating unit is \$292,528, including goodwill of Moores. The recoverable amount of the Brisbane cash generating unit has been determined based on a value-in-use calculation.

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 14%.

This financial year, Brisbane's performance was badly hit by the flood in December/January period and generally cooler summer. Being conservative and uncertainty of the environment, the Board anticipates lower growth in revenue of only 5% for each of the next 5 years, with a net profit margin of 5% for Brisbane.

Cash flows beyond that 5-year period have been extrapolated assuming the growth rate to be 3.6%. This growth rate does not exceed the long-term average growth rate for the market in which Brisbane operates.

As a result of the discount rate applied and lower revenue growth, Brisbane's carrying amount is lower than its recoverable amount. Impairment loss of \$76,654 was recognised.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Refresh Waters Toowoomba cash generating unit

The carrying amount of goodwill for this generating unit is \$164,308, after recognising impairment loss of \$158,069 in December 2010. The recoverable amount of the Toowoomba cash generating unit has been determined based on a value-in-use calculation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

16. IMPAIRMENT OF ASSETS (cont)

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 14%.

The Board anticipates growth in revenue of approximately 5% for the next 5 years, with a net profit margin of 10% for Toowoomba.

Cash flows beyond that 5-year period have not been extrapolated as it has been assumed that there is no growth rate. This growth rate does not exceed the long-term average growth rate for the market in which Toowoomba operates. Management believes that any reasonably possible change in the key assumptions on which Toowoomba's recoverable amount is based would not cause Toowoomba's carrying amount to exceed its recoverable amount.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Hydr8 Water cash generating unit

The carrying amount of goodwill for this generating unit is \$140,572. The recoverable amount of Hydr8 has also been determined based on a value-in-use calculation.

The cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 17%.

The Board anticipates growth in revenue of approximately 5% for the next 5 years, with a net profit margin of 10% for Hydr8.

Cash flows beyond that 5-year period have not been extrapolated as it has been assumed that there is no growth rate. This growth rate does not exceed the long-term average growth rate for the market in which Hydr8 operates. Management believes that any reasonably possible change in the key assumptions on which Hydr8's recoverable amount is based would not cause Hydr8's carrying amount to exceed its recoverable amount.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

17. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011	2010
	\$	\$
Current		
Trade payables	268,211	286,311
Subscriptions in advance	-	500,000
Other payables	407,559	170,298
	<u>675,770</u>	<u>956,609</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables include related party loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

18. FINANCIAL LIABILITIES

	<i>Effective interest rate</i>	<i>Maturity</i>	CONSOLIDATED 2011 \$	2010 \$
Current				
Obligations under finance leases and hire purchase contracts (Note 24)	8.7-10.7%	< 1 year	51,771	46,706
Short term related party loans	12-20%	< 1 year	328,000	-
			<u>379,771</u>	<u>46,706</u>
Non-current				
Obligations under finance leases and hire purchase contracts (Note 24)	8.7-10.7%	1 – 5 years	65,580	34,606
			<u>65,580</u>	<u>34,606</u>

19. PROVISIONS AND ACCRUALS

	CONSOLIDATED 2011 \$	2010 \$
Short term provisions		
Annual Leave	76,856	65,690
Accruals	45,329	36,830
	<u>122,185</u>	<u>102,520</u>
Long term provisions		
Long Service Leave	<u>48,057</u>	<u>49,106</u>
Long Service Leave		
At 1 July 2010	49,106	
Amount utilised	(1,049)	
At 30 June 2011	<u>48,057</u>	

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the value of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 3.7 in this report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

20. ISSUED CAPITAL AND RESERVES

	CONSOLIDATED	
	2011 \$	2010 \$
Ordinary Shares		
Issued and fully paid	8,946,150	6,308,101
Fund raising costs	(539,555)	(464,768)
	<u>8,406,595</u>	<u>5,843,333</u>
	No.	\$
Movement in ordinary shares		
At 1 July 2009	44,971,233	4,778,993
Rights Issue on 13/7/09	22,485,616	1,124,281
Issue shares to acquire Minnamurra Natural Spring Water on 1/09/09	750,000	52,500
Paid up shares issued to employees	-	18,250
Fund raising costs	-	(130,691)
At 30 June 2010	68,206,849	5,843,333
Issue shares to Yong Wei Por on 13/7/10	7,692,308	500,000
Issue shares to acquire AridTec on 13/7/10	71,800,000	4,667,000
Issue shares to Employee account	500,000	-
Other share issue on 13/7/10	384,600	24,999
Issue shares to Catherine Chan & Hon Leong Chong on 27/8/10	1,570,000	102,050
Issue shares to Pacific Alliance Group on 29/9/10	7,692,308	500,000
Cancellation of AridTec shares on 29/06/11	(71,800,000)	(3,156,000)
Fund raising costs	-	(74,787)
At 30 June 2011	<u>86,046,065</u>	<u>8,406,595</u>

Effective 1 July 1998, the Company Law Review Act abolished the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

On 13 July 2010, 71,800,000 shares were issued at 6.5 cents each as purchase consideration for the acquisition of AridTec. The same amount of shares were subsequently cancelled on 29 June 2011 due to the demerger of AridTec. (refer Note 5)

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to certain executives (refer Note 27).

As at 30 June 2011, \$134,717 had been repaid by staff in relation to the Employee Share Scheme.

Details of the balance of and movements in reserves can be found in the statements of changes in equity.

Capital management

The capital of the Group is managed in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements.

Capital is managed by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels, and share issues.

There has been no change in the strategy adopted by management to control the capital of the group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

20. ISSUED CAPITAL AND RESERVES (Cont)

Nature and purpose of reserves

Employee equity benefits reserve

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 27 for further details of these plans.

21. FINANCIAL RISK MANAGEMENT

The Board reviews and agrees on policies for managing risks and they are summarised below.

Interest rate risk

The main risk the Group is exposed to through its financial instruments is interest rate risk. The Group's policy is to manage its risk using a mix of fixed and variable rate debt.

Note 22 Financial Instruments sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Foreign Currency and Price Risk

Foreign currency fluctuation does not affect the Group's income as almost all our sales are within Australia. However, it does affect the price of raw materials and in turn, the final price of our purchases.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group policy that customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained. A cash and commitment report forms part of the monthly management reports forwarded to the Board.

22. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for Group operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values. The net fair values of financial assets and liabilities are determined as follows:

- The net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

22. FINANCIAL INSTRUMENTS (cont)

Investments

Investments are included at cost less accumulated impairment losses. The carrying amount of investments is reviewed at each reporting date by the directors to ensure it is not in excess of the recoverable amount of these investments.

Year ended 30 June 2011	Floating Interest Rate	Fixed Interest Rate	Maturity < 1 year \$	2 to 5 years \$	Non- Interest Bearing \$	Total \$
CONSOLIDATED						
Financial Assets						
Cash assets	2.5 – 5%	-	130,287	-	-	130,287
Loans and Receivables	-	-	-	-	524,885	524,885
Other financial assets	-	-	-	-	1,050	1,050
			130,287	-	525,935	656,222
Financial Liabilities						
At amortised cost						
Loans and Payables	-	12-20%	328,000	-	675,770	1,003,770
Hire purchase liability	-	8.7- 10.7%	51,771	65,580	-	117,351
			379,771	65,580	675,770	1,121,121

Year ended 30 June 2010	Floating Interest Rate	Fixed Interest Rate	Maturity < 1 year \$	2 to 5 years \$	Non- Interest Bearing \$	Total \$
CONSOLIDATED						
Financial Assets						
Cash assets	2.5 – 5%	-	536,891	-	-	536,891
Loans and Receivables	-	-	-	-	533,737	533,737
Other financial assets	-	-	-	-	1,050	1,050
			536,891	-	534,787	1,071,678
Financial Liabilities						
At amortised cost						
Loans and Payables	-	5%	500,000	-	456,609	956,609
Hire purchase liability	-	7.2 – 8.7%	46,706	34,606	-	81,312
			546,706	34,606	456,609	1,037,921

Net Fair Values

The net fair values of:

- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Financial assets where the carrying amount exceeds net fair value have not been written down as the Group intends to hold these assets to maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

22. FINANCIAL INSTRUMENTS (cont)

Sensitivity Analysis

The Group has no borrowing other than 2 fixed-rate hire purchases and as such, changes in interest rate will have insignificant effect on its profit or equity. Interest rate movements on cash balances would not be material.

As almost all revenue is derived from Australia, foreign currency fluctuation has minimal effect on its profit or equity.

23. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 29 June 2011, AridTec Pte Ltd, was disposed of. The consideration for the sale of AridTec shares was the cancellation by way of selective capital reduction of 71,800,000 Refresh shares. Operating losses of AridTec until the date of disposal and the profit or loss from remeasurement and disposal of assets and liabilities classified as held for sale is summarised as follows:

	\$
Revenue	385,153
Cost of Sales	(194,625)
Gross Profit	<u>190,528</u>
Other income	53,498
Marketing Expenses	(119,881)
Distribution Expenses	(33,920)
Production, Research and Development Expenses	(200,752)
Administrative Expenses	(115,265)
Occupancy Expenses	(73,213)
Other expenses	809
Results from operating activities	<u>(298,196)</u>
Finance income	73
Finance costs	(418)
Loss before income tax	<u>(298,541)</u>
Income tax expense (credit)	-
Loss for the period	<u>(298,541)</u>
Loss on remeasurement and disposal	
Change in fair value of assets	(1,100,000)
Intercompany loan written off	(485,928)
Loss on disposal	(112,459)
Total loss on disposal	<u>(1,698,387)</u>
Loss for the year from discontinued operations	<u>(1,996,928)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

24. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as lessee

The Group has entered into commercial leases where it is not in the best interest of the Group to purchase these assets.

Location	Expiry	Lease Terms
Brisbane	31/03/13	5 + 5 years
Kalgoorlie		No contract
Melbourne	16/02/13	2 years
Perth	30/06/13	7 + 3 + 3 years
Sydney		No contract
Toowoomba	31/03/12	taken up 3-year option

Renewal terms are included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED	
	2011	2010
	\$	\$
Within one year	420,216	405,152
After one year but not more than five years	230,009	453,682
	650,225	858,834

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery, these leases have no terms of renewal or purchase options and escalation clauses.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments areas follows:

	2011	2010
	Minimum	Minimum
	payments	payments
	\$	\$
CONSOLIDATED		
Within one year	61,258	50,043
After one year but not more than five years	76,893	34,749
Total minimum lease payments	138,151	84,792
Less amounts representing finance charges	(20,801)	(6,431)
Present value of minimum lease payments	117,350	78,361

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

25. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Refresh Group Limited and the subsidiaries listed in the following table.

	Country of incorporation	% Equity interest		Investment	
		2010	2009	2010	2009
				\$	\$
Refresh Waters Pty Ltd	Australia	100%	100%	5,000,000	5,000,000
Refresh Waters Queensland Pty Ltd	Australia	100%	100%	1,000,000	1,000,000

Refresh Group Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

During the period the Group borrowed a total of \$504,806 (2010: nil) from related parties through loan facilities payable within one year at a fixed interest rate of 20% and a unsecured revolving line of credit amounting to \$300,000 with a 12% fixed interest rate. At 30 June 2011 amounts payable under the loan facility total \$110,000 (2010: nil), the amount outstanding on the line of credit totals \$218,000 (2010: nil) and \$83,000 of the revolving line of credit was unused (2010: nil)

26. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2011	2010
	\$	\$
Remuneration of the auditor of the parent entity for:		
• an audit or review of the financial report	70,370	65,594
• other services		
(a) tax compliance	11,300	11,500
(b) advisory	1,550	27,667
	83,220	104,761
Remuneration of related practices of the parent entity auditor for :		
• auditing or reviewing the financial statements of subsidiary	5,048	-
Total	88,268	104,761

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

27. EMPLOYEE BENEFITS

a. Directors' and Executives' Option Scheme

On 31 October 2005, the shareholders of Refresh Group Limited resolved to approve the creation of the Directors and Executives Option Scheme ("DEOS").

The purpose of the DEOS is to align the interests of the directors and key management of Refresh by providing a cost-effective and efficient long-term incentive to them which is linked to the performance of the company. By rewarding executives with the issue of options, Refresh will be able to reward them without having to commit cash resources to do so.

Under the DEOS, directors and key management personnel of Refresh Group Limited are eligible to be issued with options to acquire unissued ordinary fully paid shares in Refresh Group Limited. The options will be issued for no consideration. They have an exercise period of one year.

The directors and key management personnel who have been granted options as follows:

<i>Grant Date</i>	19/10/10
<i>Exercise price per share</i>	\$0.065

Directors:

Mr H Heng	100,000
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Key Management Personnel:

Mr B Bolton	70,000
Mr S Lin	70,000
Mr Y Ruan	60,000
Mr H Ho	60,000
Mr M Pearce	50,000
Mr R Jessett	50,000
Ms S Chan	50,000
	510,000

The above is a summary of the DEOS. A copy of the DEOS rules is available for inspection at the Head Office of Refresh Group Limited.

The fair value at grant date is determined using the Black-Scholes pricing model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2011. The weighted average fair value of options granted during the year was \$0.009 (2010:\$0.038).

<i>Options granted on 19/10/10</i>	2011
Expected volatility (%)	265%
Risk-free interest rate (%)	4.87%
Expected life of option (time – days)	365
Option exercise price (strike price-\$)	\$0.065
Share price at grant date (stock price-\$)	\$0.03

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

27. EMPLOYEE BENEFITS (Cont)

During the year ended 30 June 2011, no options were exercised over ordinary shares.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the DEOS.

	2011 No.	2011 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	1,190,000	0.067	450,000	0.05
Granted during the year	510,000	0.065	1,190,000	0.067
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(340,000)	0.05
Expired during the year	(1,190,000)	0.067	(110,000)	0.05
Outstanding at the end of the year	510,000	0.065	1,190,000	0.067

The outstanding balance as at 30 June 2011 is represented by:

- 510,000 options over ordinary shares with an exercise price of \$0.065 each, exercisable upon meeting the above conditions and until 18 October 2011.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 110 days (2010: 192 days).

Included under employee benefits expense in the income statement is \$4,692 (2010: \$45,137) relates, in full, to equity-settled share-based payment transactions.

b. Employee Share Scheme

On 31 October 2005, the shareholders of Refresh Group Limited approved the creation of an Employee Share Scheme ("ESS").

The purpose of the ESS is to reward current and future employees of the Group in a way which gives the employees an opportunity to share in the future growth and profitability of Refresh Group Limited.

Employees were eligible for a loan from the company in order to finance the purchase of shares. The loan is an interest-free loan with a maximum term of two years. Repayments are being made through deductions from the employee's salary. The Directors of Refresh Group Limited invited employees to participate in the ESS based on factors such as their length of service, grade or position in Refresh Group Limited. New employees will be eligible to join the ESS after one year's continuous service.

Should an employee leave his or her employment without having fully repaid the loan, Refresh may sell that employee's shares and apply the proceeds to the cost of the sale and the repayment of the loan. The balance (if any) will be returned to the employee. There are mechanics in place to ensure that shares acquired pursuant to a loan from Refresh Group Limited are not transferred until the loan has been repaid.

The above is a summary of the terms of the ESS. A copy of the ESS rules is available for inspection at the Head Office of Refresh Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. DIRECTORS' AND KEY MANAGEMENT PERSONNEL DISCLOSURE

In accordance with AASB 124 remuneration disclosures related to key management personnel are included in the Remuneration Report in the Director's Report.

(a) Remuneration options: Granted and vested during the year

During the financial year, options were granted as equity compensation benefits under the Directors and Executives Option Scheme (DEOS) to certain directors and key management personnel as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.065.

	Vested	Granted	Terms & Conditions for each Grant			
	No.	No.	Grant Date	Value per option at grant date	Exercise price per share	Expiry Date
Directors:						
Mr H Heng	100,000	100,000	19/10/10	0.0092	0.065	18/10/11
Key Management Personnel:						
Mr S Lin	70,000	70,000	19/10/10	0.0092	0.065	18/10/11
Mr B Bolton	70,000	70,000	19/10/10	0.0092	0.065	18/10/11
Mr Y Ruan	60,000	60,000	19/10/10	0.0092	0.065	18/10/11
Mr H Ho	60,000	60,000	19/10/10	0.0092	0.065	18/10/11
Mr M Pearce	50,000	50,000	19/10/10	0.0092	0.065	18/10/11
Mr R Jessett	50,000	50,000	19/10/10	0.0092	0.065	18/10/11
Ms S Chan	50,000	50,000	19/10/10	0.0092	0.065	18/10/11
	510,000	510,000				

(b) Option holdings of Directors and Key Management Personnel

	Balance at beg of period 01-Jul-10	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30-Jun-11	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
Mr H Heng	200,000	100,000	-	(200,000)	100,000	-	100,000
Specified Executives							
Ms M Ang	140,000	-	-	(140,000)	-	-	-
Mr D Hadi	140,000	-	-	(140,000)	-	-	-
Mr S Lin	70,000	70,000	-	(70,000)	70,000	-	70,000
Mr B Bolton	140,000	70,000	-	(140,000)	70,000	-	70,000
Mr Y Ruan	120,000	60,000	-	(120,000)	60,000	-	60,000
Mr H Ho	120,000	60,000	-	(120,000)	60,000	-	60,000
Mr M Pearce	50,000	50,000	-	(50,000)	50,000	-	50,000
Mr R Jessett	110,000	50,000	-	(110,000)	50,000	-	50,000
Ms S Chan	100,000	50,000	-	(100,000)	50,000	-	50,000
Total	1,190,000	510,000	-	(1,190,000)	510,000	-	510,000

Options granted in previous year expired without any being exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

28. DIRECTORS' AND KEY MANAGEMENT PERSONNEL DISCLOSURE (Cont)

A full list of option holders can be found at Note 27.

(c) Shareholdings of Directors and Key Management Personnel

Shares held in Refresh Group Limited

	<i>Balance 01-Jul-10 Ord</i>	<i>Granted as Remuneration Ord</i>	<i>Other Net Changes * Ord</i>	<i>Balance 30-Jun-11 Ord</i>
Directors				
Mr H Heng	10,422,909	-	90,000	10,512,909
Mr E Teo	7,894,900	-	100,000	7,994,900
Specified Executives				
Ms M Ang	50,000	-	-	50,000
Mr B Bolton	142,500	-	-	142,500
Mr H Ho	99,000	-	-	99,000
Mr Y Ruan	54,000	-	-	54,000
Total	18,663,309		190,000	18,853,309

** Relate to general sales and purchases made on the open market, including subscription for the rights issue*

All equity transactions with directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(d) Loans to Directors and Key Management Personnel

Except for the approved instalment plan under its ESS, no director or specified executive has received any loan from Refresh Group Limited or any of its controlled entities.

29. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred between the reporting date and the date of authorisation.

30. RECONCILIATION TO APPENDIX 4E

After reporting date of Appendix 4E, additional impairment loss of Brisbane and Melbourne amounting to \$184,745 was recognised. The comprehensive loss from ordinary activities after tax attributable to members after adjustment is:

	\$
Comprehensive loss from ordinary activities after tax per Appendix 4E	(3,468,504)
Impairment loss	(184,745)
Adjusted Comprehensive loss from ordinary activities after tax	<u>(3,653,249)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

31. PARENT ENTITY

a. Statement of Financial Position

	Parent	
	2011	2010
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	259	401,611
Trade and other receivables	13,680	15,220
Total Current Assets	13,939	416,831
Non-Current Assets		
Other financial assets	2,840,123	3,430,997
Total Non-current assets	2,840,123	3,430,997
TOTAL ASSETS	2,854,062	3,847,828
LIABILITIES		
Current Liabilities		
Trade and other payables	122,622	553,291
Financial liabilities	110,000	-
Short-term provisions and accruals	61,451	49,161
Total Current Liabilities	294,073	602,452
Non-current Liabilities		
Long-term provisions	36,866	34,195
Total Non-current Liabilities	36,866	34,195
TOTAL LIABILITIES	330,939	636,647
NET ASSETS	2,523,123	3,211,181
EQUITY		
Issued capital	8,406,595	5,843,333
Reserves	191,712	187,020
Accumulated losses	(6,075,184)	(2,819,172)
TOTAL EQUITY	2,523,123	3,211,181

b. Financial performance

	Parent	
	2011	2010
	\$	\$
Loss for the year	(3,763,814)	(1,015,515)
Other comprehensive income	-	-
Total comprehensive income	(3,763,814)	(1,015,515)

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Refresh Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011
 - (ii) and of their performance for the year ended on that date; and
 - (iii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the Chief Executive Officer and Chief Financial Officer have declared that
 - (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (ii) the financial statement and notes for the financial year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in note (3.1).
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Henry Heng
Managing Director
Perth, 29 September 2011

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Independent Auditor's Report To the Members of Refresh Group Limited

Report on the financial report

We have audited the accompanying financial report of Refresh Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Refresh Group Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

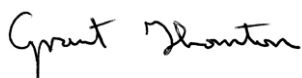
Without qualifying our opinion, we draw attention to Note 3.22 in the financial report which indicates that the consolidated entity incurred a net loss of \$3,653,249 during the year ended 30 June 2011 and had cash outflows from operations of \$1,494,900. These conditions, along with other matters as set forth in Note 3.22, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 9 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Refresh Group Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Director - Audit & Assurance

Perth, 29 September 2011

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council has been applied for the entire financial year ended 30 June 2011.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The name of independent director of the company is Jamie Khoo.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% company shares are held by the director and any entity or individual directly or indirectly associated with the director.
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

The Board has considered the need for a Nominations Committee and believes that it is more appropriate for such responsibilities to be met by the full Board rather than a separate committee.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Trading Policy

The Group has established a share trading policy which governs the trading in the Group's shares and applies to all Directors and employees of the Group. Details of the company's Trading Policy are posted on its website: www.refreshgroup.com.au.

Anyone who has material non-public information cannot buy or sell Company shares, even during a period when trading is otherwise permitted.

A restricted person is not permitted to trade in Company shares during the following periods:

- a. Two weeks prior to the release of the following reports:
 - i. Half Year Report
 - ii. Annual Financial Report
- b. Any time the restricted person is in possession of material information until after release of the information to ASX or termination of negotiation or event.

Audit Committee

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

CORPORATE GOVERNANCE STATEMENT

Performance Evaluation

Regular communication between directors and the Chairman is encouraged and an annual formal review of the requirements and performance of all directors is conducted. The performance of a director is continually monitored by the Chairman and peers.

- Board performance is reviewed by the full Board.
- The performance of the Chair is reviewed by other directors and the results discussed with the Chair by the elected lead director.

The performance of individual directors is reviewed by the Board and the results discussed with the respective Chair.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures. The document on Board Charter and management delegations has been made public available on the company's website: www.refreshgroup.com.au. This document details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision – making. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of the annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Refresh Group Limited, to lodge questions to be responded by the Board and /for the CEO, and are able to appoint proxies.

Risk Management

The Company's business strategies and activities involve risk. Risk is minimised to the extent it does not inhibit the Company or its controlled entities from pursuing its goals and objectives with a considered and balanced view of risk. A program has been commenced to identify, assess and manage risk in the context of the Company's strategies, as well as regular assessment of the performance of the risk management system.

The Board is responsible for overseeing the risk management system and is the recipient of risk reporting from management. It is also responsible for approving the risk management policy, framework and risk tolerance of the Company. The responsibility for regular review of the risk management system has been delegated to the Audit Committee, which will conduct these reviews at least half-yearly.

Senior management are responsible for the establishment and implementation of a risk management system which will identify, assess and manage all material risks in the business. Through the executive management committee, a formal process is being developed to further improve the current system of risk management adopted in the operations of the Company. The executive management committee is also responsible for the reinforcement of a risk management culture throughout the Company.

The annual business plan for the Company considers key risks and the risk management strategies. This plan is prepared by management and approved by the Board at the commencement of each financial year. Regular reviews and assessment of performance against the plan is submitted by management to the Board.

The Company has implemented and documented a range of policies and procedures throughout the operations that provide a sound system of internal control. It also purchases insurance, where appropriate, as a means of risk transfer.

Remuneration Policies

Details on remuneration policies for key management personnel are stated in the directors' report.

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report

Other information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at www.refreshgroup.com.au.

SHAREHOLDER INFORMATION

Shareholder information set out below was as at 29 September 2011

Distribution of Ordinary Shares

Range of Shares	Total Holders
1 - 1,000	1
1,001 - 5,000	9
5,001 - 10,000	178
10,001 - 100,000	164
100,001 and over	53
Total	405

Holders of less than a marketable parcel of ordinary shares **196**

Voting Rights Attaching to Ordinary Shares

On a show of hands, every member present in person or by proxy shall have one vote. Upon a poll, each share shall have one vote.

On-Market Buy-Back

There is no on-market buy-back of its shares.

20 Largest Shareholders - Ordinary Shares

	<u>Shares</u>	<u>%</u>
Mr Henry Eng Chye Heng & Ms Sok Hwa Ngoh <The Heng Family a/c>	8,860,700	10.3%
Mr Anthony Guan Cheow Soh	8,025,028	9.3%
National Nominees Limited	7,692,308	8.9%
Mr Edmund Soon Kin Teo & Mrs Janice Teo <The Teo Family a/c>	6,793,900	7.9%
Mr Boon Kheng Ong	6,040,529	7.0%
Ms Inn Hoon Judy Ong	5,411,550	6.3%
Ms Ing Cheng Diana Ong	4,851,900	5.6%
Ms May Pheng Leong	3,846,154	4.5%
Mr Djuanda Hadi <Oyez Investment a/c>	3,604,550	4.2%
Mr Eng Huat Ong	2,010,000	2.3%
Mr Yong Wei Por	1,923,077	2.2%
Ms Venetia Su	1,923,077	2.2%
Mr Meng Leong Lye	1,685,000	2.0%
Dr Chee Seng Seah	1,410,000	1.6%
Mr Juan Hui Goh	1,300,000	1.5%
Citicorp Nominees Pty Limited	1,112,148	1.3%
Mr Samuel Jacob	1,038,400	1.2%
Mr Hoe Peng Ung	1,000,000	1.2%
Mr Henry Eng Chye Heng + Mr Edmund Soon Kin Teo <Refresh Superannuation A/c>	870,000	1.0%
Ms Sok Lay Ngoh	830,000	1.0%
Total Top 20	70,228,321	81.6%
Total Shares on Issue	86,046,065	
Total Options on Issue	510,000	

SHAREHOLDER INFORMATION

Substantial Shareholders - Ordinary Shares

	<u>Shares</u>	<u>%</u>
Mr Anthony Guan Cheow Soh	11,981,182	13.9%
Mr Henry Eng Chye Heng & Ms Sok Hwa Ngoh <The Heng Family a/c>	9,917,639	11.5%
Mr Edmund Soon Kin Teo & Mrs Janice Teo <The Teo Family a/c>	7,805,900	9.1%
National Nominees Limited	7,692,308	8.9%
Ms Inn Hoon Judy Ong	6,711,550	7.8%
Ms Ing Cheng Diana Ong	6,261,900	7.3%
Mr Boon Kheng Ong	6,040,529	7.0%

Corporate Directory

BOARD OF DIRECTORS

Henry Heng	Managing Director
Edmund Teo	Non-Executive Director
Mun Yew Chan	Non-Executive Director
Jamie Khoo	Independent, Non-Executive Director

AUDIT COMMITTEE

Mun Yew Chan – Chairman
Edmund Teo
Jamie Khoo

REMUNERATION COMMITTEE

Jamie Khoo - Chairman
Henry Heng
Mun Yew Chan

COMPANY SECRETARY

Jamie Khoo

REGISTERED OFFICE AND HEAD OFFICE

17 Denninup Way MALAGA WA 6090
Telephone: (08) 9248 3006
Facsimile: (08) 9248 7233
Email: info@refreshgroup.com.au
Web Address: www.refreshgroup.com.au

OTHER OPERATING LOCATIONS

New South Wales – Sydney

3 Salisbury Street
SILVERWATER NSW 2128
Telephone: (02) 9748 4200
Facsimile: (02) 9748 4366
Email: sydney@refreshwater.com.au

Victoria - Melbourne

14 Bando Road
SPRINGVALE VIC 3171
Telephone: (03) 9562 3877
Facsimile: (03) 9562 3177
Email: melbourne@refreshwater.com.au

Queensland – Brisbane

120 Mica Street
CAROLE PARK QLD 4300
Telephone: (07) 3271 1251
Facsimile: (07) 3879 3019
Email: brisbane@refreshwater.com.au

Queensland – Toowoomba

600 Boundary Street
TOOWOOMBA QLD 4350
Telephone: (07) 4659 0400
Facsimile: (07) 4659 0411
Email: toowoomba@refreshwater.com.au

Western Australia – Kalgoorlie

33/46 Great Eastern Highway
KALGOORLIE WA 6430
Telephone: (08) 9022 2266
Facsimile: (08) 9022 4468
Email: kalgoorlie@refreshwater.com.au

SOLICITORS

Civic Legal Pty Ltd
Level 2, 11 Mounts Bay Road
Perth WA 6000

AUDITORS

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth WA 6005

SHARE REGISTRY

Computershare Investor Services
Level 2, 45 St Georges Terrace
Perth WA 6000
Tel 1300 557 010



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