

HERITAGE BRANDS LIMITED AND CONTROLLED ENTITIES

ABN: 91 081 149 635

**Financial Report For The Year Ended
31 January 2012**

HERITAGE BRANDS LIMITED AND CONTROLLED ENTITIES

ABN: 91 081 149 635

For the half year ended 31 January 2012

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**HERITAGE BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

The directors of Heritage Brands Limited ('Heritage' or 'the Company'), present their report on the financial statements of the Company and its Controlled Entities ('the Consolidated Group') for the half-year ended 31 January 2012.

Directors

The directors who held office during or since the end of the half-year are:

FAIRFULL David John (Non-executive Chairman)
KROK Maxim (Non-executive Director)
BEINART Steven (Non-Executive Director)
GOODEY Stephen Donald Alfred (Managing Director)
MASON Stephen Leslie (Non-executive Director)
McCARTNEY William Thomson (Non-executive Director)
COX Peter Henry Townsend (Non-executive Director)
SMITH Brent Charles Albert (Non-executive Director)

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Consolidated Group during the half year were the selling and distribution of branded cosmetics, toiletries, skincare and nail care products.

There were no significant changes in the nature of the Consolidated Group's principal activities during the half year.

Operating Results and Review of Operations for the half year

Heritage recorded an interim profit of \$1,175,935 for the half year ended 31 January 2012. This result is an improvement over the previous corresponding half year (31 January 2011: profit of \$306,574, after charging one off relocation expenses of \$970,083).

Financial Position

The directors believe the Consolidated Group is in a strong and stable financial position to expand and grow its current operations.

The net assets of the Consolidated Group have increased by \$1,175,935 during the period to \$5,808,633 as at 31 January 2012. This increase is due to the net operating profit during the period.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Company occurred during the half year.

Dividends Paid or Recommended

No dividends were paid or declared for payment during the half year.

Events after the Reporting Period

No matters or circumstances have arisen since the end of the half year which significantly affected, or may significantly affect the operations of the Company in future financial periods, the results of those operations, or the state of affairs of the Company in future financial periods.

Future Developments, Prospects and Business Strategies

Certain likely developments in the operations of the Consolidated Group and the expected results of those operations in future financial periods have not been included in this report as the inclusion of such information, in the opinion of the directors, would prejudice the interests of the Consolidated Group, and hence that information has not been included.

Company Secretary

The following person held the position of company secretary at the end of the half year:
MCGIBBON, Christopher William was appointed company secretary on 09 February 2009.

Options

At the date of this report, the unissued ordinary shares of Heritage Brands Limited under option are as follows

Grant Date	Date of expiry	Exercise price	Number under option	Issued to
1/12/2006	31/07/2012	25c	<u>250,000</u>	Souls Private Equity Ltd.
			<u>250,000</u>	

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

There have been no unissued shares or interests under option of any controlled entity within the Consolidated Group during or since the end of the reporting period.

No options were granted as remuneration to key management personnel and other executives during the half year.

During the half year ended 31 January 2012, no ordinary shares of Heritage Brands Limited were issued on the exercise of options granted. No further shares have been issued since half year end on the exercise of options granted

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.

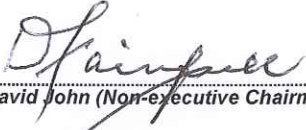
The Company was not a party to any such proceedings during the half year.

HERITAGE BRANDS LIMITED ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Auditor's Independence Declaration

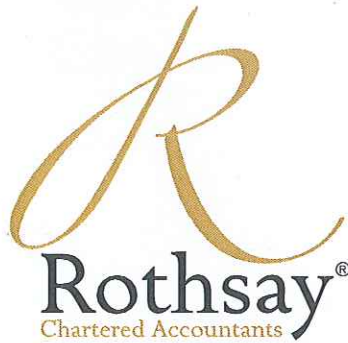
The lead auditor's independence declaration for the half year ended 31 January 2012 has been received and can be found on page 3 of the Financial Report.

This Directors' Report, is signed in accordance with a resolution of the Board of Directors.



.....
FAIRFULL David John (Non-executive Chairman)

Dated: 23 March 2012



AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF HERITAGE BRANDS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half year ended 31 January 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Name of Firm: Rothsay Chartered Accountants (with signature)
Name of Partner: Mr Graham R. Swan, FCA (with signature)
Date: 23 March 2012
Address: Level 1, 12 O'Connell Street, SYDNEY NSW 2000

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

	Consolidated Group	
Note	31 Jan 12	31 Jan 11
	\$	\$
Sales Revenue	14,583,764	13,173,708
Cost of Sales	<u>(7,497,043)</u>	<u>(5,718,697)</u>
Gross Profit	7,086,721	7,455,011
Other income	97,509	294,463
Distribution expenses	(339,460)	(395,225)
Employee benefits expense	(1,873,345)	(1,943,861)
Marketing expenses	(1,922,898)	(2,183,343)
Occupancy expenses	(208,778)	(200,748)
Administrative expenses	(968,579)	(1,031,993)
Depreciation of property, plant and equipment	(265,243)	(337,844)
Finance costs	(429,992)	(379,803)
Relocation costs	-	(970,083)
Profit before income tax	3 1,175,935	306,574
Income tax expense	-	-
Profit for the year	<u>1,175,935</u>	<u>306,574</u>
Other comprehensive income:		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>1,175,935</u>	<u>306,574</u>
 Earnings per share		
From continuing operations		
Basic earnings per share (cents)	0.26	0.07
Diluted earnings per share (cents)	0.26	0.07

The accompanying notes form part of these condensed financial statements.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2012**

	Note	Consolidated Group	
		As at 31 Jan 12 \$	As at 31 Jul 11 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		218,037	158,533
Trade and other receivables		3,425,615	2,988,656
Inventories		3,580,688	5,015,942
Other assets		199,376	174,538
TOTAL CURRENT ASSETS		<u>7,423,716</u>	<u>8,337,669</u>
NON-CURRENT ASSETS			
Property, plant and equipment		736,460	885,221
Deferred tax assets		363,566	363,566
Intangible assets	5	5,185,472	5,185,472
TOTAL NON-CURRENT ASSETS		<u>6,285,498</u>	<u>6,434,259</u>
TOTAL ASSETS		<u>13,709,214</u>	<u>14,771,928</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,954,709	3,646,492
Borrowings	6	1,760,370	2,088,268
Provisions		192,496	7,246
TOTAL CURRENT LIABILITIES		<u>4,907,575</u>	<u>5,742,006</u>
NON-CURRENT LIABILITIES			
Borrowings	6	2,718,746	4,138,746
Deferred tax liabilities		22,881	22,881
Other provisions		251,379	235,597
TOTAL NON-CURRENT LIABILITIES		<u>2,993,006</u>	<u>4,397,224</u>
TOTAL LIABILITIES		<u>7,900,581</u>	<u>10,139,230</u>
NET ASSETS		<u>5,808,633</u>	<u>4,632,698</u>
EQUITY			
Issued capital	7	16,102,935	16,102,935
Accumulated losses		(10,294,302)	(11,470,237)
TOTAL EQUITY		<u>5,808,633</u>	<u>4,632,698</u>

The accompanying notes form part of these condensed financial statements.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

	Issued Capital - Ordinary	Accumulated Losses	Total
	\$	\$	\$
Consolidated Group			
Balance at 1 August 2010	11,747,678	(11,061,857)	685,821
Comprehensive income			
Profit for the half year	-	306,574	306,574
Total comprehensive income for the half year	-	306,574	306,574
Transactions with owners, in their capacity as owners, and other transfers			
Shares issued during the half year	4,355,257	-	4,355,257
Total transactions with owners and other transfers	4,355,257	-	4,355,257
Balance at 31 January 2011	16,102,935	(10,755,283)	5,347,652
Balance at 1 August 2011	16,102,935	(11,470,237)	4,632,698
Comprehensive income			
Profit for the half year	-	1,175,935	1,175,935
Total comprehensive income for the half year	-	1,175,935	1,175,935
Balance at 31 January 2012	16,102,935	(10,294,302)	5,808,633

The accompanying notes form part of these condensed financial statements.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

	Consolidated Group	
	31 Jan 12	31 Jan 11
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,649,462	15,997,696
Interest received	1,097	10,768
Payments to suppliers and employees	(13,296,683)	(15,817,776)
Finance costs	(429,992)	(379,802)
Net cash provided by/(used in) operating activities	<u>1,923,884</u>	<u>(189,114)</u>
Relocation costs	-	(970,083)
Net cash provided by/(used in) operating activities	<u>1,923,884</u>	<u>(1,159,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(116,482)</u>	<u>(238,108)</u>
Net cash used in investing activities	<u>(116,482)</u>	<u>(238,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	120,000	1,023,314
Repayment of borrowings	<u>(1,867,898)</u>	<u>(61,982)</u>
Net cash provided by/(used in) financing activities	<u>(1,747,898)</u>	<u>961,332</u>
Net increase/(decrease) in cash held	59,504	(435,973)
Cash and cash equivalents at the beginning of the period	158,533	354,136
Cash and cash equivalents acquired on acquisition of controlled entities	-	504,139
Cash and cash equivalents at the end of the period	<u>218,037</u>	<u>422,302</u>

The accompanying notes form part of these condensed financial statements.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

Note 1 Summary of Significant Accounting Policies

Heritage Brands Limited is a company domiciled in Australia. The Consolidated Financial Report of the Company for the half year ended 31 January 2012 comprises the Company and its controlled entities (together referred to as the 'Consolidated Group').

Statement of compliance

The half year Consolidated Financial Report has been prepared in accordance with the measurement requirements of Australian Accounting Standards ('AAS') adopted by the Australian Accounting Standards Board ('AASB') for the purpose of fulfilling the Consolidated Group's obligation under the National Stock Exchange ('NSX') listing rules.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the AASB and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The half year financial report is presented in Australian dollars.

The half year financial report is prepared on the historical cost basis.

The accounting policies have been applied consistently and a full description of the accounting policies adopted by the Consolidated Group may be found in the Consolidated Group's 31 July 2011 full financial report.

The financial report was authorised for issue on 23 March 2012 by the directors of the company.

Note 2 Revenue and Other Income

	Consolidated Group	
	31 Jan 12	31 Jan 11
	\$	\$
(a) Revenue from continuing operations		
Sales revenue		
— sale of goods	14,583,764	13,173,708
	<u>14,583,764</u>	<u>13,173,708</u>
Other revenue		
— interest received	1,097	10,768
— other revenue	96,412	283,695
	<u>97,509</u>	<u>294,463</u>
Total revenue	<u>14,681,273</u>	<u>13,468,171</u>
Interest revenue from:		
— other persons	1,097	10,768
Total interest revenue on financial assets at fair value through profit or loss	<u>1,097</u>	<u>10,768</u>

Note 3 Profit for the Year

	Consolidated Group	
	31 Jan 12	31 Jan 11
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
(a) Expenses		
Cost of sales	7,497,043	5,718,697
Interest expense on financial liabilities not at fair value through profit or loss:		
— Associated companies	212,204	131,467
— Other persons	217,788	248,336
Total finance cost	<u>429,992</u>	<u>379,803</u>
Rental expense on operating leases		
— minimum lease payments	56,229	200,748
(b) Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Depreciation of property, plant and equipment	265,243	337,844
Costs associated with relocating the operations to Melbourne	-	970,083

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

Note 4 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		31 Jan 12	31 Jan 11
Subsidiaries of Heritage Brands Limited:			
Soda Brands (NZ) Limited	New Zealand	100.00	100.00
Soda Brands (UK) Limited	United Kingdom	100.00	100.00
Innoxia Group Pty Ltd	Australia	100.00	100.00
Innoxia Holdings Pty Ltd	Australia	100.00	100.00
Innoxia Marks Pty Ltd	Australia	100.00	100.00
Incolabs Pty Ltd	Australia	100.00	100.00
Heritage Brands (Australia) Pty Ltd	Australia	100.00	100.00

* Percentage of voting power is in proportion to ownership

Note 5 Intangible Assets

	Consolidated Group	
	31 Jan 12	31 Jul 11
	\$	\$
Goodwill - on consolidation		
Cost	2,596,828	2,596,828
Net carrying value	<u>2,596,828</u>	<u>2,596,828</u>
Trademarks and licences		
Cost	2,588,644	2,588,644
Net carrying value	<u>2,588,644</u>	<u>2,588,644</u>
Total intangibles	<u>5,185,472</u>	<u>5,185,472</u>

Consolidated Group:

	Trademarks & Licences	
	Goodwill	Licences
	\$	\$
Year ended 31 July 2011		
Balance at the beginning of year	2,596,828	2,588,644
	<u>2,596,828</u>	<u>2,588,644</u>

Half year ended 31 January 2012

Balance at the beginning of the half year	2,596,828	2,588,644
Closing value at 31 January 2012	<u>2,596,828</u>	<u>2,588,644</u>

Note 6 Borrowings

	Consolidated Group	
	31 Jan 12	31 Jul 11
	\$	\$
CURRENT		
Lease Liability	-	78,582
Debtor Finance - Scottish Pacific Business Finance Pty Ltd	220,370	2,009,686
Secured liabilities - shareholders' loans		
Souls Private Equity Ltd	385,000	-
Maximize Equity Pty Ltd	385,000	-
Rawlo International Pty Ltd	770,000	-
Total current borrowings	<u>1,760,370</u>	<u>2,088,268</u>

NON-CURRENT

Secured liabilities - shareholders' loans		
Souls Private Equity Ltd	631,282	1,016,282
Maximize Equity Pty Ltd	564,431	949,431
Rawlo International Pty Ltd	768,000	1,538,000
Stephen Mason	340,000	220,000
PJT Holdings Pty Ltd	100,497	100,497
S. Goodey Pty Ltd	103,917	103,917
JKL Developments Pty Ltd	100,497	100,497
Steven O'Neill	103,122	103,122
Christopher Mc Gibbon	7,000	7,000
Total non-current borrowings	<u>2,718,746</u>	<u>4,138,746</u>

Total borrowings	<u>4,479,116</u>	<u>6,227,014</u>
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**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

	Consolidated Group	
	31 Jan 12	31 Jan 11
	\$	\$
Repayment of loans during the half year ended:		
Debtor Finance - Scottish Pacific Business Finance Pty Ltd	1,867,898	61,982
New borrowings during the half year ended:		
Shareholders' loans	120,000	1,023,314

	Consolidated Group	
	31 Jan 12	31 Jul 11
	\$	\$
(a) Total current and non-current secured liabilities:		
Debtor Finance - Scottish Pacific Business Finance Pty Ltd	220,370	2,009,686
Related entities (Shareholders)	2,718,746	4,138,746
	<u>2,939,116</u>	<u>6,148,432</u>
(b) The carrying amounts of non-current assets pledged as security are:		
Fixed charge over fixed assets	736,460	885,221
	<u>736,460</u>	<u>885,221</u>

(c) **Collateral provided**

Lease liabilities are secured by the underlying leased assets.

i) Financial assets that have been pledged as part of the total collateral for the benefit of Scottish Pacific Business Finance Pty Ltd are as follows:

	Consolidated Group	
	31 Jan 12	31 Jul 11
	\$	\$
Cash and cash equivalents	218,037	158,533
Trade receivables	3,425,615	2,988,656
Total financial assets pledged	<u>3,643,652</u>	<u>3,147,189</u>

The collateral over financial assets represents a first fixed and floating charge over financial assets of Heritage Brands (Australia) Pty Ltd and second fixed and floating charge over financial assets of Heritage Brands Limited and Incolabs Pty Ltd.

The Scottish Pacific Business Finance loans carries a current variable rate of interest @ 11.5% per annum.

ii) The shareholders' loans are secured by first ranking fixed and floating charge over assets of Heritage Brands Limited, Innoxia Group Pty Ltd, Innoxia Holdings Pty Ltd, Innoxia Marks Pty Ltd and Incolabs Pty Ltd carrying a fixed rate of interest @ 10% per annum.

Note 7 Issued Capital

	Consolidated Group	
	31 Jan 12	31 Jan 11
	\$	\$
457,622,635 (2011: 457,622,635) fully paid ordinary shares	16,102,935	16,102,935
	<u>16,102,935</u>	<u>16,102,935</u>

The company has authorised share capital amounting to 457,622,635 ordinary shares.

	Consolidated Group	
	31 Jan 12	31 Jan 11
	No.	No.
(a) Ordinary Shares		
At the beginning of the reporting period		
Shares issued during the year	457,622,635	239,859,825
6 August 2010 - in consideration of acquisition of Heritage Brands (Australia) Pty Ltd (formerly Creative Brands Pty Limited)	-	217,762,810
At the end of the reporting period	<u>457,622,635</u>	<u>457,622,635</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) **Options**

(i) For information relating to the Heritage Brands Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 10: Share-based Payments.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

Note 8 Contingent Liabilities and Contingent Assets

Deferred Tax Asset on carried forward tax losses

The parent entity, Heritage Brands Limited, incurred tax losses from its operations in previous financial years. These tax losses gave rise to deferred tax assets which were not recognised in the financial statements of Heritage due to the accounting policy of showing unused tax losses only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets amounting to \$1,923,866 in relation to the carried forward losses of Heritage and \$147,811 relating to temporary tax differences have not been recognised in the financial statements as at 31 January 2012, as the deductibility of the carried forward losses has not been confirmed.

The deferred tax assets and liabilities reflected in the balance sheet relate to previous business acquisitions.

Note 9 Operating Segments

Segment Information

Identification of reportable segments

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

The Consolidated Group operates in one segment which represents the supply of personal care items for retail consumption in various geographical locations and channels.

(i) Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	31 January 2012	31 January 2011
	\$	\$
Australia	14,049,111	11,894,756
New Zealand	532,798	1,253,246
Others	1,855	25,706
Total revenue	14,583,764	13,173,708

(ii) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	31 January 2012	31 January 2011
	\$	\$
Australia	8,160,173	9,255,812
New Zealand	1	1
United Kingdom	2	2
Total Assets	8,160,176	9,255,815

Note 10 Share-based Payments

- (i) On 01 December 2006, 250,000 share options were granted to Souls Private Equity Ltd to take up ordinary shares at an exercise price of 25 cents each. These options are exercisable on or before 31 July 2012. The options hold no voting rights and are not transferable.

	Consolidated Group	
	Number	Weighted average exercise price
A summary of the movements of all company options issued is as follows:		
Options outstanding as at 31 July 2011	250,000	25c
Forfeited	-	-
Options outstanding as at 31 January 2012	250,000	25c

Options exercisable as at 31 July 2012: 250,000 25c

Note 11 Events After the Reporting Period

No matters or circumstances have arisen since the end of the financial period which significantly affected, or may significantly affect the operations of the Consolidated Group in future financial years, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2012**

Note 12 Related Party Transactions

(a) Amounts payable to related parties

	Consolidated Group	
	31 Jan 12	31 Jul 11
	\$	\$
i. Loans from shareholders		
Souls Private Equity Ltd	1,016,282	1,016,282
Maximize Equity Pty Ltd	949,431	949,431
Rawlo International Pty Ltd	1,538,000	1,538,000
Stephen Mason	340,000	220,000
PJT Holdings Pty Ltd	100,497	100,497
S. Goodey Pty Ltd	103,917	103,917
JKL Developments Pty Ltd	100,497	100,497
Steven O'Neill	103,122	103,122
Christopher McGibbon	7,000	7,000
	<u>4,258,746</u>	<u>4,138,746</u>

The shareholder loans attract interest at 10% p.a and are secured by fixed and floating charges over assets of the Consolidated Group (except for trade receivables).

Note 13 Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

Note 14 Company Details

The registered office of the company is:

Heritage Brands Limited
30 Bando Road
Springvale
VIC 3171

The principal places of business are:

Heritage Brands Limited
30 Bando Road
Springvale
VIC 3171

**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Heritage Brands Limited the directors of the company declare that:

1. the financial statements and notes, as set out on pages 4 to 12, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 31 January 2012 and of the performance for the half year ended on that date of the Consolidated Group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed on behalf of the directors, in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

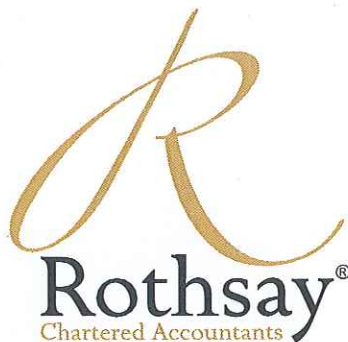
On behalf of the Directors

Director



FAIRFULL David John (Non-exec Chairman)

Dated this 23rd day of March 2012



**HERITAGE BRANDS LIMITED ABN: 91 081 149 635
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
HERITAGE BRANDS LIMITED**

Report on the Half-Year Financial Statements

We have reviewed the accompanying half-year financial statements of Heritage Brands Limited and controlled entities (the Consolidated Group), which comprise the consolidated statement of financial position as at 31 January 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Statements

The directors of the consolidated group are responsible for the preparation and fair presentation of the half-year financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

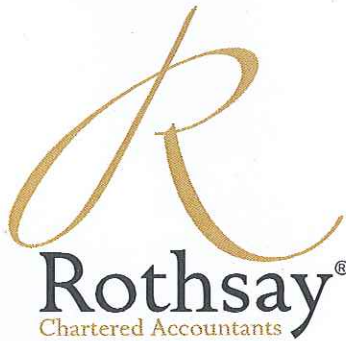
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated group's financial position as at 31 January 2012 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Heritage Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of a half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Reviewed Financial Statements.

This review report relates to the financial statements of the consolidated group for the half-year ended 31 January 2012 included on the website of Heritage Brands Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial statements identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial statements to confirm the information included in the reviewed financial statements presented on the company's website.



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Independence

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

Auditor's Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial statements of Heritage Brands Limited and controlled entities are not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Consolidated Group's financial position as at 31 January 2012 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Name of Firm: Rothsay Chartered Accountants Rothsay

Name of Partner: Mr Graham R. Swan, FCA GRSw

Address: Level 1, 12 O'Connell Street
SYDNEY NSW 2000

Dated this 23rd day of March 2012