

# **Heritage Brands Limited and Controlled Entities**

**ABN 91 081 149 635**

**Consolidated Financial Statements**

**For the Half Year Ended 31 January 2015**

## **Contents**

**For the Half Year Ended 31 January 2015**

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## **Directors' Report**

### **For the Half Year Ended 31 January 2015**

The directors submit the financial report on Heritage Brands Limited and Controlled Entities ("the Group") for the half year ended 31 January 2015.

#### **1. General information**

##### **Information on directors**

The names of each person who has been a director during the half year and to the date of this report are:

FAIRFULL David John (Non-executive Chairman)

KROK Maxim (Non-executive Director)

BEINART Steven David (Non-Executive Director) Resigned 31 October 2014

GOODEY Stephen Donald Alfred (Managing Director) Resigned 31 October 2014

MASON Stephen Leslie (Non-executive Director)

McCARTNEY William Thomson (Non-executive Director) Resigned 31 October 2014

COX Peter Henry Townsend (Non-executive Director)

SMITH Brent Charles Albert (Non-executive Director) Resigned 31 October 2014

GENDIS Constantinos (Managing Director) Appointed 10 November 2014

##### **Significant changes in state of affairs**

No significant changes in the Group's state of affairs occurred during the financial half year.

##### **Principal activities and significant changes in nature of activities**

The principal activities of the Group during the financial half year were the selling and distribution of branded cosmetics, toiletries, skincare, nail care products, sun protection, artificial tanning, aromatherapy oils and fragrances.

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

#### **2. Operating results and review of operations for the year**

##### **Operating results**

The consolidated profit of the Group amounted to \$769,940, after providing for income tax. This represented a 119% increase on the results reported for the half year ended 31 January 2014. The significant improvement was largely from the performance of Australis, In Essence and Oil Garden brands in their respective sales channels. Expenses generally have been contained.

## **Directors' Report**

### **For the Half Year Ended 31 January 2015**

#### **Review of operations**

The Group operates in very competitive retail consumer categories with its key competitors being the major multinational cosmetic and personal care companies. Our brands are sold through all the major retail channels who are all competing with each other to attract consumers into their stores by offering attractive discounts and special offers.

Acquisitions in the Aromatherapy area of our business are performing above expectations and are showing positive growth. The Group is currently reviewing possible brand acquisitions in the personal care category.

The Group's expenses are under control and are tracking according to plan. Foreign exchange risk has been covered forward at the policy rates.

### **3. Financial review**

#### **Financial position**

The net assets of the Group have increased by \$769,940 from 31 July 2014 to \$7,481,275 at 31 January 2015. This increase is largely due to the following factors:

- Increased sales resulting in increased contribution and profit

### **4. Other items**

#### **Matters or circumstances arising after the end of the year**

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

#### **Future developments and results**

The Group is always seeking to acquire brands in the Personal Care space and future growth will be by a combination of Organic growth and acquisition of complimentary brands.

#### **Environmental matters**

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

#### **Dividends paid or recommended**

No dividends were paid or declared since the start of the financial half year. No recommendation for payment of dividends has been made.

#### **Company secretary**

The following person held the position of Company secretary at the end of the financial half year:

MCGIBBON, Christopher William CA (SA) has been the company secretary since 9 February 2009. Prior to this role, Chris was the Managing Director of Innoxia Holding Pty Ltd.

## **Directors' Report**

### **For the Half Year Ended 31 January 2015**

#### **Options**

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial half year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

#### **Indemnification and insurance of officers and auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the financial half year, for any person who is or has been an officer or auditor of Heritage Brands Limited and Controlled Entities.

#### **Proceedings on behalf of company**

No person has applied for leave of court under Section 237 of the Corporations Act 2001 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.

#### **Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 January 2015 has been received and can be found on page 4 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Director: FAIRFULL David John (Non-executive Chairman)

Dated 31<sup>st</sup> March 2015



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the review of Heritage Brands Limited for the half-year ended 31 January 2015, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Heritage Brands Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Frank Vrachas', is written over a light blue circular stamp.

**Frank Vrachas**  
Partner

**Rothsay Chartered Accountants**

Sydney, 31 March 2015

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 January 2015

		Consolidated	
		31 January 2015	31 January 2014
	Note	\$	\$
Revenue	2	16,140,336	15,690,228
Other income	2	244,762	29,571
Cost of goods sold		(9,709,482)	(9,328,911)
Employee benefits expense		(2,599,464)	(2,690,135)
Depreciation and amortisation expense		(108,369)	(128,943)
Occupancy expenses		(213,371)	(213,371)
Freight and cartage		(80,312)	(127,002)
Advertising and promotion		(1,394,128)	(1,596,594)
Other expenses		(1,023,857)	(863,478)
Finance costs	3	(486,175)	(420,719)
<b>Profit before income tax</b>		<b>769,940</b>	<b>350,646</b>
Income tax expense		-	-
<b>Profit for the period</b>		<b>769,940</b>	<b>350,646</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>769,940</b>	<b>350,646</b>
Profit attributable to:			
Members of the parent entity		769,940	350,646
Total comprehensive income attributable to:			
Members of the parent entity		769,940	350,646
<b>Earnings per share</b>			
From continuing operations:			
Basic earnings per share (cents)		0.17	0.08
Diluted earnings per share (cents)		0.17	0.08

**Consolidated Statement of Financial Position**  
 As At 31 January 2015

	Consolidated	
	31 January 2015	31 July 2014
Note	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	146,315	197,384
Trade and other receivables	5,262,969	5,084,696
Other financial assets	229,610	-
Inventories	6,382,457	6,430,488
<b>TOTAL CURRENT ASSETS</b>	<b>12,021,351</b>	<b>11,712,568</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	384,729	385,826
Intangible assets	7,245,472	7,245,472
Deferred tax assets	359,006	359,006
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,989,207</b>	<b>7,990,304</b>
<b>TOTAL ASSETS</b>	<b>20,010,558</b>	<b>19,702,872</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,860,287	4,615,861
Borrowings	7,151,863	7,768,901
Employee benefits	304,348	377,250
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,316,498</b>	<b>12,762,012</b>
<b>NON-CURRENT LIABILITIES</b>		
Employee benefits	212,785	229,525
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>212,785</b>	<b>229,525</b>
<b>TOTAL LIABILITIES</b>	<b>12,529,283</b>	<b>12,991,537</b>
<b>NET ASSETS</b>	<b>7,481,275</b>	<b>6,711,335</b>
<b>EQUITY</b>		
Issued capital	16,102,935	16,102,935
Retained earnings	(8,621,660)	(9,391,600)
<b>TOTAL EQUITY</b>	<b>7,481,275</b>	<b>6,711,335</b>



**Consolidated Statement of Changes in Equity**  
 For the Half Year Ended 31 January 2015

31 January 2015

	Ordinary Shares	Consolidated Retained Earnings	Total \$
	\$	\$	
<b>Balance at 1 August 2014</b>	16,102,935	(9,391,600)	6,711,335
Profit for the period	-	769,940	769,940
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	769,940	769,940
<b>Transactions with owners in their capacity as owners</b>			
Dividends provided for or paid	-	-	-
<b>Balance at 31 January 2015</b>	<b>16,102,935</b>	<b>(8,621,660)</b>	<b>7,481,275</b>

31 January 2014

	Ordinary Shares	Consolidated Retained Earnings	Total \$
	\$	\$	
<b>Balance at 1 August 2013</b>	16,102,935	(9,419,485)	6,683,450
Profit for the period	-	350,646	350,646
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	350,646	350,646
<b>Transactions with owners in their capacity as owners</b>			
Dividends provided for or paid	-	-	-
<b>Balance at 31 January 2014</b>	<b>16,102,935</b>	<b>(9,068,839)</b>	<b>7,034,096</b>

**Consolidated Statement of Cash Flows**  
 For the Half Year Ended 31 January 2015

	<b>Consolidated</b>	
	<b>31 January</b>	<b>31 January</b>
	<b>2015</b>	<b>2014</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	<b>16,351,231</b>	15,867,315
Payments to suppliers and employees	<b>(15,194,084)</b>	(14,083,007)
Interest received	<b>2,270</b>	2,882
Finance costs	<b>(486,175)</b>	(420,719)
Net cash provided by (used in) operating activities	<b>673,242</b>	1,366,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<b>(107,272)</b>	(132,664)
Purchase of business brands and associated inventories	<b>-</b>	(142,207)
Net cash used by investing activities	<b>(107,272)</b>	(274,871)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of borrowings	<b>(617,039)</b>	(779,859)
Net cash used by financing activities	<b>(617,039)</b>	(779,859)
Net increase (decrease) in cash and cash equivalents held	<b>(51,069)</b>	311,741
Cash and cash equivalents at beginning of period	<b>197,384</b>	237,496
Cash and cash equivalents at end of the period	<b>146,315</b>	549,237

## **Notes to the Financial Statements**

### **For the Half Year Ended 31 January 2015**

#### **1 Basis of Preparation**

This consolidated interim financial report for the half year reporting period ended 31 January 2015 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Heritage Brands Limited and Controlled Entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 July 2014, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of new and revised accounting standards as described below.

#### **Going concern**

As at 31 January 2015, the Group's current liabilities exceed its current assets by \$295,147 (31 July 2014: \$1,049,444). These matters give rise to uncertainty that may cast doubt whether the Group can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the Financial Report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in:

- renegotiation of the repayment of existing borrowings from the major shareholders or raising sufficient cash from additional debt or equity capital to meet short term liabilities as and when they fall due. The Directors note that as at 31 January 2015, the Group has undrawn credit facility amounting to \$485,931.

The Directors are in constant dialogue with parties who hold the Shareholders Loans and will continue to seek the renegotiation of the shareholders loans on terms favourable to Heritage Brands Limited.

The Directors are of the opinion that additional funding should be secured through these means. The Financial Report has therefore been prepared on the basis of a going concern. This basis presumes that funds from the above sources will be available to finance future operations, and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

However, the Directors note that if sufficient funds are not raised through the abovementioned sources, the going concern basis may not be appropriate with the result that the group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report.

## Notes to the Financial Statements

### For the Half Year Ended 31 January 2015

#### Adoption of new and revised accounting standards

During the current half year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

## Notes to the Financial Statements

### For the Half Year Ended 31 January 2015

#### Critical accounting estimates and judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 31 July 2014 annual financial report.

## 2 Revenue and Other Income

#### Revenue from continuing operations

	Consolidated	
	31 January 2015	31 January 2014
	\$	\$
Sales revenue		
- sale of goods	16,016,713	15,635,760
	<u>16,016,713</u>	<u>15,635,760</u>
Other revenue		
- Interest from bank deposits	2,270	2,882
- Other revenue	121,353	51,586
	<u>16,140,336</u>	<u>15,690,228</u>
<b>Total Revenue</b>		
Other Income		
- Unrealised gain on forward foreign exchange contracts*	229,610	-
- Sundry income	15,152	29,571
	<u>244,762</u>	<u>29,571</u>

\*The unrealised gain on forward foreign exchange contracts has been recognised as other financial assets in the statement of financial position in accordance with the Group's accounting policies.

## 3 Finance Costs

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Interest expense - related parties	194,651	196,685
Interest expense - external	291,524	224,034
	<u>486,175</u>	<u>420,719</u>
<b>Total finance costs</b>		

**Notes to the Financial Statements**  
 For the Half Year Ended 31 January 2015

**4 Operating Segments**

**Segment information**

**Identification of reportable segments**

The Group operates in Australia in only one operational segment; therefore, for the period ended 31 January 2015, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

**5 Intangible Assets**

	<b>Consolidated</b>	
	<b>31 January 2015</b>	<b>31 July 2014</b>
	<b>\$</b>	<b>\$</b>
Goodwill at Cost	2,596,828	2,596,828
Trademarks at Cost	4,648,644	4,648,644
<b>Total Intangibles</b>	<b>7,245,472</b>	<b>7,245,472</b>

**6 Tax**

**Recognised deferred tax assets and liabilities**

Deferred tax assets	359,006	359,006
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**7 Trade and other payables**

<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	3,937,307	3,899,243
Employee benefits	123,506	109,445
Sundry payables and accrued expenses	799,474	607,173
	<b>4,860,287</b>	<b>4,615,861</b>

**Notes to the Financial Statements**  
**For the Half Year Ended 31 January 2015**

**8 Borrowings**

	Consolidated	
	31 January 2015	31 July 2014
	\$	\$
<b>CURRENT</b>		
Unsecured liabilities:		
Lease liability unsecured	18,112	85,267
	<u>18,112</u>	<u>85,267</u>
Secured liabilities:		
Debtor finance - Scottish Pacific Business Finance Pty Ltd	3,057,505	3,414,888
Shareholder loans	4,076,246	4,268,746
	<u>7,133,751</u>	<u>7,683,634</u>
<b>Total current borrowings</b>	<u><b>7,151,863</b></u>	<u><b>7,768,901</b></u>
<b>Total borrowings</b>	<u><b>7,151,863</b></u>	<u><b>7,768,901</b></u>

The loans are currently being reviewed by the company together with the related-shareholders and should be resolved by year end. As at 31 January 2015, the Consolidated Group has a credit facility of \$5,000,000, of which \$1,485,931 is unused. The directors are of the opinion that these factors enable the Group to -have sufficient liquidity to pay its debts as and when they become due and payable.

**(a) The carrying amounts of non-current/financial assets pledged as collateral for liabilities are:**

	Consolidated	
	31 January 2015	31 July 2014
	\$	\$
<b>Financial assets that have been pledged as part of the total collateral for the benefit of Scottish Pacific Business Finance Pty Ltd:</b>		
Cash and cash equivalents	146,315	197,384
Trade receivables	5,262,969	5,084,696
	<u>5,409,284</u>	<u>5,282,080</u>
<b>Non-current assets that have been pledged as security for the benefit of shareholders:</b>		
Property, plant and equipment	384,729	385,826
Intangible assets (cost)	4,648,644	4,648,644
	<u>5,033,373</u>	<u>5,034,470</u>
<b>Total secured</b>	<u><b>10,442,657</b></u>	<u><b>10,316,550</b></u>

**Notes to the Financial Statements**  
**For the Half Year Ended 31 January 2015**

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 at 9.19% per annum.

Lease liabilities are secured by the related leased assets.

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 at 9.19% per annum.

**9 Issued Capital**

	<b>Consolidated</b>	
	<b>31 January 2015</b>	<b>31 July 2014</b>
	<b>\$</b>	<b>\$</b>
457,622,635 (2014: 457,622,635) Ordinary shares	<b>16,102,935</b>	16,102,935
<b>Total</b>	<b>16,102,935</b>	<b>16,102,935</b>

**(a) Ordinary shares**

	<b>No.</b>	<b>No.</b>
At the beginning of the reporting period	<b>457,622,635</b>	457,622,635
At the end of the reporting period	<b>457,622,635</b>	457,622,635

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

**10 Commitments**

**(a) Operating leases**

	<b>Consolidated</b>	
	<b>31 January 2015</b>	<b>31 July 2014</b>
	<b>\$</b>	<b>\$</b>
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	<b>176,398</b>	412,560
- between one year and five years	<b>62,474</b>	64,069
	<b>238,872</b>	<b>476,629</b>

The property lease is in renegotiation for a 5 year period and will be finalised by Year End 31 July 2015

The operating leases for motor vehicles have lease terms of three-years. The company does not have the option



## Notes to the Financial Statements

### For the Half Year Ended 31 January 2015

to purchase the leased asset at the end of the lease period.

#### 11 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2015 (31 July 2014: None).

#### 12 Related Parties

##### (a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

##### (i) Shareholder loans

	31 January	31 July
Ultimate parent		
Souls Private Equity Ltd	968,157	1,016,282
Maximize Equity Pty Ltd	901,306	949,431
Rawlo International Pty Ltd	1,441,750	1,538,000
Others	765,033	765,033
	<b>4,076,246</b>	<b>4,268,746</b>

#### 13 Events Occurring After the Reporting Date

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

#### 14 Company Details

The registered office of the company is:

Heritage Brands Limited  
30 Bando Road  
Springvale  
VIC 3171

## **Directors' Declaration**

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - (b) give a true and fair view of the consolidated group's financial position as at 31 January 2015 and of its performance for the half-year ended on that date.
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.

This declaration is made in accordance with a resolution of the Board of Directors.



Director: FAIRFULL David John (Non-executive Chairman)

Dated 31<sup>st</sup> March 2015



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Heritage Brands Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Heritage Brands Limited, which comprises the consolidated statement of financial position as at 31 January 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Heritage Brands Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the consolidated half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2015 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 the Heritage Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other 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.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Heritage Brands Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Conclusion

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 report of Heritage Brands Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity's current liabilities exceeded its current assets by \$295,147 as at 31 January 2015 (31 July 2014: \$1,049,444) . This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that 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.

### Rothsay Chartered Accountants



**Frank Vrachas**

Partner

Sydney, 31 March 2015