

Heritage Brands Ltd and Controlled Entities

ABN 91 081 149 635

Consolidated Financial Statements

For the Half-Year Ended 31 January 2018

Heritage Brands Limited and Controlled entities
Chairman's Report for the Half-Year ended 31st January 2018

Dear Shareholders,

The Board of Directors and the Management team set out below their report for the half-year ended 31st January 2018, with EBITDA down some 27% to \$2,546,911:

	2018	2017	%
Net Revenue after Trading Terms	30,563,437	30,514,889	0%
EAT	1,447,924	3,014,043	-52%
Taxation	611,152	-57,143	
EBT	2,059,076	2,956,900	-30%
Finance	273,956	329,213	
Depreciation	213,879	196,384	
EBITDA	2,546,911	3,482,497	-27%
Shares	1,801,111,087	1,801,111,087	
EPS	0.08	0.17	

The above results are most disappointing when compared to the corresponding period in 2017.

The first half results have occurred during a period that has seen a significant change in the Australian retail landscape as well as globally. Nevertheless the business continues to invest in people and resource directly into new sales channels of Ecommerce and International expansion and although this has inflated the overhead line of the Groups Profit and Loss, the management team remains confident these initiatives will start to provide positive returns on investment in the second half of this financial year and future years.

We have in recent months aggressively expanded our push into International Markets. In this regard our recent move into Asia has increased sales significantly in this region. At the same time our thrust into the UK and Europe has resulted in the "Australis Brand" being listed by a major National Chain of Drugstores.

On the 1st February 2018 the Group acquired the Cedel Brand and this acquisition is in line with the company's strategic intent of acquiring brands that are ethical, have an Australian provenance narrative, are iconic and have potential for international expansion.

While your Board and Management team are cautious of the volatility being witnessed in the Australian Retail market place, we are still forecasting an improved EBITDA for 2017/18 financial year subject of course to no unforeseen circumstances.



David Fairfull
Chairman

28th March 2018

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For the Half-Year Ended 31 January 2018

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Directors' Report

For the Half-Year Ended 31 January 2018

The directors submit the financial report of the Group for the half-year ended 31 January 2018.

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
McCARTNEY William Thomson Venables	Non-executive Director
MASON Stephen Leslie	Non-executive Director
GENDIS Constantinos	Managing Director

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 profit after income tax for the Group for the half year was \$1,447,924 compared to \$3,014,043 last year. The decrease was largely due to significant changes in the Australian retail landscape, together with ranging rationalisations affecting key brands. Exacerbating the result was an income tax expense of \$611,152, which had a major impact on the result as compared to an income tax benefit of \$57,143 in 2017, which improved the profit after tax. This change in our income tax situation which is a "one off" had a material negative impact on the result.

Review of operations

Net Revenue for the Half Year was up marginally at \$30,823,961 from the same period last year of \$30,791,175. This reflects the slowdown in retail sales reported at 31 July 2017.

While Net Sales Revenue has stayed the same the cost of doing business has increased as the Group gears itself up to derisk the local traditional business, in particular, Ecommerce and Export. Traditional Pharmacy business has performed well but deep discounting by all the major retail partners has eroded the revenue and bottom lines.

Core brands have performed well and on a like for like basis are showing an increase on last year, with declines coming from retail rationalisation affecting the result.

Directors' Report

For the Half-Year Ended 31 January 2018

3. Financial review

Financial position

The net assets of the Group have increased by \$1,447,924 from \$26,544,576 at 31 July 2017 to \$27,992,500 at 31 January 2018. This increase is due to the profit earned and retained by the Group.

4. Other items

Matters or circumstances arising after the end of the half-year

On 1 February 2018 Heritage announced it had entered into an agreement with Brands RMJ Pty Ltd to purchase the Cedel brand (and associated goodwill), contracts and stock, for a total consideration of \$2,000,000 plus stock. Of the total consideration, \$1,500,000 was payable on acquisition and the remaining \$500,000 six months after the acquisition date.

No other matter or circumstance has arisen since the end of the 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 geared up to exploit the Ecommerce and Export markets in the future, and this investment is reflected in the increased operating costs over the past year.

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.

Directors' Report
For the Half-Year Ended 31 January 2018

Options

10,000,000 share options were issued to the Managing Director, Mr Constantinos Gendis at the AGM held in November 2015. No shares were issued during or since the end of the half-year as a result of the exercise of an option over unissued shares or interests. There have been no unissued shares or interests under option of any controlled entity within the Group granted during or since the end of the reporting period.

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

During the half-year ended 31 January 2018, no ordinary shares of Heritage Brands Ltd were issued on the exercise of options granted. No further shares have been issued since year end on the exercise of options granted.

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 Ltd 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 2018 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Director:
FAIRFULL David John

Dated 28 March 2018

ROTHSAY

CHARTERED ACCOUNTANTS

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

To the directors of Heritage Brands Ltd

As lead auditor for the review of Heritage Brands Ltd for the half-year ended 31 January 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Frank Vrachas

Partner

Rothsay Chartered Accountants

Sydney, 28 March 2018

A Level 1/12 O'Connell Street
Sydney NSW 2000

GPO Box 542
Sydney NSW 2001

P 02 8815 5400
F 02 8815 5401

E info@rothsay.com.au
W www.rothsay.com.au

ABN 59 087 479 410

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 January 2018

	31 January 2018	31 January 2017
	\$	\$
Revenue	2 30,823,961	30,791,175
Other income	2 16,715	2,456
Cost of goods sold	(17,253,282)	(17,537,268)
Employee benefits expense	(5,314,337)	(4,736,223)
Advertising and promotion	(2,908,108)	(2,898,153)
Depreciation and amortisation expense	(213,879)	(196,384)
Freight and cartage	(139,851)	(72,477)
Occupancy expenses	(221,564)	(221,564)
Finance costs	3 (273,956)	(329,213)
Other expenses	(2,456,623)	(1,845,449)
Profit before income tax	2,059,076	2,956,900
Income tax benefit (expense)	4 (611,152)	57,143
Profit for the half-year	1,447,924	3,014,043
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income for the half-year	1,447,924	3,014,043
Profit attributable to:		
Members of the parent entity	1,447,924	3,014,043
Total comprehensive income attributable to:		
Members of the parent entity	1,447,924	3,014,043
Earnings per share		
From continuing operations:		
Basic earnings per share (cents)	0.08	0.17
Diluted earnings per share (cents)	0.08	0.17

Consolidated Statement of Financial Position
 As At 31 January 2018

	31 January 2018	31 July 2017
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6 2,324,653	442,988
Trade and other receivables	7 10,532,104	10,606,332
Inventories	8 12,129,562	12,146,917
TOTAL CURRENT ASSETS	24,986,319	23,196,237
NON-CURRENT ASSETS		
Plant and equipment	9 1,009,513	902,424
Deferred tax assets	11 647,990	854,001
Investment in associate	14 140,000	140,000
Intangible assets	10 17,253,136	17,253,136
TOTAL NON-CURRENT ASSETS	19,050,639	19,149,561
TOTAL ASSETS	44,036,958	42,345,798
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	12 5,618,390	4,774,386
Current tax liability	71,808	696,082
Borrowings	13 9,523,300	9,553,428
Employee entitlements	531,232	527,143
TOTAL CURRENT LIABILITIES	15,744,730	15,551,039
NON-CURRENT LIABILITIES		
Employee entitlements	299,728	250,183
TOTAL NON-CURRENT LIABILITIES	299,728	250,183
TOTAL LIABILITIES	16,044,458	15,801,222
NET ASSETS	27,992,500	26,544,576
EQUITY		
Issued capital	15 25,915,489	25,915,489
Retained earnings	2,077,011	629,087
TOTAL EQUITY	27,992,500	26,544,576

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 January 2018

31 January 2018

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 August 2017	25,915,489	629,087	26,544,576
Profit for the half-year	-	1,447,924	1,447,924
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	1,447,924	1,447,924
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 January 2018	25,915,489	2,077,011	27,992,500

31 January 2017

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 August 2016	25,915,489	(3,217,392)	22,698,097
Profit for the half-year	-	3,014,043	3,014,043
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	3,014,043	3,014,043
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 January 2017	25,915,489	(203,349)	25,712,140

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 January 2018

	31 January 2018	31 January 2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	30,585,512	29,341,340
Payments to suppliers and employees	(27,051,548)	(29,957,766)
Interest received	2 1,911	1,424
Finance costs	3 (273,956)	(329,213)
Income tax paid	(1,029,415)	-
Net cash provided by (used in) operating activities	<u>2,232,504</u>	<u>(944,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of plant and equipment	1,200	1,351,788
Purchase of plant and equipment	(321,911)	(1,589,940)
Net cash used in investing activities	<u>(320,711)</u>	<u>(238,152)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from/ (repayments) of borrowings	57,793	1,866,257
Repayment of insurance refinancing loan	(87,921)	(96,960)
Net cash provided by (used in) financing activities	<u>(30,128)</u>	<u>1,769,297</u>
Net increase in cash and cash equivalents held	1,881,665	586,930
Cash and cash equivalents at beginning of half-year	442,988	167,933
Cash and cash equivalents at end of the half-year	6 <u>2,324,653</u>	<u>754,863</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements For the Half-Year Ended 31 January 2018

1 Basis of Preparation

This consolidated interim financial report for the half-year reporting period ended 31 January 2018 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of Heritage Brands Ltd 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 2017, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements and their impact on the Group where the standard is relevant:

Standard Name	Effective date for entity	Requirements and Impact
AASB 16 Leases	1 January 2019	AASB 16 requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing the present value of its obligation to make lease payments. Rental expense will be replaced by depreciation on the right-of-use asset and interest expense on the lease liability.
AASB 15 Revenue from contracts with customers AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15	1 January 2018	AASB 15 introduces a five-step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Critical accounting estimates and judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 31 July 2017 annual financial report.

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

2 Revenue and Other Income

	31 January 2018	31 January 2017
	\$	\$
Sales revenue		
- Sale of goods	30,563,437	30,514,889
	30,563,437	30,514,889
Other revenue		
- Bank deposit interest	1,911	1,424
- Foreign exchange gains	246,254	265,962
- Other revenue	12,359	8,900
Total Revenue	30,823,961	30,791,175

Other Income

- Sundry income	16,715	2,456
	16,715	2,456

3 Finance Costs

	31 January 2018	31 January 2017
	\$	\$
Interest expense - external	273,956	329,213
	273,956	329,213

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

4 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	31 January 2018	31 January 2017
	\$	\$
Current tax	405,141	613,606
Deferred tax	206,011	(670,749)
Total income tax (benefit)/ expense	611,152	(57,143)

(b) Reconciliation of income tax to accounting profit:

	31 January 2018	31 January 2017
	\$	\$
Profit before income tax expense	2,059,076	2,956,900
Tax rate	30%	30%
	617,723	887,070
Tax effect of:		
- other non-assessable items	(6,571)	(7,701)
	611,152	879,369
Tax effect of:		
- recoupment of prior year tax losses previously not brought to account	-	(936,512)
Total income tax (benefit) expense	611,152	(57,143)

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

5 Operating Segments

Segment information

Identification of reportable segments

The Group operates in Australia in only one operational segment; therefore, for the half-year ended 31 January 2018, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

6 Cash and Cash Equivalents

	31 January 2018	31 July 2017
	\$	\$
Cash at bank and in hand	2,324,653	442,988
	<u>2,324,653</u>	<u>442,988</u>

7 Trade and other receivables

	31 January 2018	31 July 2017
	\$	\$
CURRENT		
Trade receivables	9,912,980	9,632,723
Allowance for impairment	(17,617)	(2,617)
Allowance for rebates, incentives and discounts	(1,502,371)	(1,341,613)
	<u>8,392,992</u>	<u>8,288,493</u>
Prepayments	2,102,599	2,312,238
Other receivables	36,513	5,601
Total current trade and other receivables	<u>10,532,104</u>	<u>10,606,332</u>

8 Inventories

	31 January 2018	31 July 2017
	\$	\$
CURRENT		
At net realisable value:		
Finished goods	12,442,842	11,807,076
Goods in transit	162,100	815,221
Allowance for slow moving/ obsolete stock	(475,380)	(475,380)
	<u>12,129,562</u>	<u>12,146,917</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

9 Plant and equipment

	31 January 2018	31 July 2017
	\$	\$
Plant and equipment		
At cost	4,503,781	4,189,732
Accumulated depreciation	<u>(3,503,165)</u>	<u>(3,295,190)</u>
Total plant and equipment	<u>1,000,616</u>	894,542
Leasehold improvements		
At cost	76,248	70,103
Accumulated depreciation	<u>(67,351)</u>	<u>(62,221)</u>
Total leasehold improvements	<u>8,897</u>	7,882
Total plant and equipment	<u><u>1,009,513</u></u>	<u>902,424</u>

10 Intangible Assets

	31 January 2018	31 July 2017
	\$	\$
Goodwill		
Cost	12,596,828	12,596,828
Trademarks		
Cost	<u>4,656,308</u>	4,656,308
Total Intangibles	<u><u>17,253,136</u></u>	<u>17,253,136</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

11 Tax

Recognised deferred tax assets and liabilities

	31 January 2018	31 July 2017
	\$	\$
Deferred tax assets	647,990	854,001
	647,990	854,001

12 Trade and other payables

	31 January 2018	31 July 2017
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	4,780,175	3,023,635
Employee related payables	303,770	234,525
Sundry payables and accrued expenses	534,445	1,516,226
	5,618,390	4,774,386

13 Borrowings

	31 January 2018	31 July 2017
	\$	\$
CURRENT		
Unsecured liabilities:		
Insurance refinancing	43,960	131,881
	43,960	131,881
Secured liabilities:		
Bank Facility – Bank of Melbourne	9,479,340	9,421,547
	9,479,340	9,421,547
Total current borrowings	9,523,300	9,553,428
Total borrowings	9,523,300	9,553,428

As at 31 January 2018, the Consolidated Group had a credit facility of \$17,000,000 of which \$7,520,660 is unused.

The Group has a bank facility which is subject to certain financial covenants. The Group has not breached any covenants at the half-year reporting period.

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

13 Borrowings (continued)

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

	31 January 2018	31 July 2017
	\$	\$
Financial assets that have been pledged as part of the total collateral for the benefit of Bank of Melbourne are as follows:		
Cash and cash equivalents	2,324,653	442,988
Trade receivables	8,392,992	8,288,493
Inventories	12,129,562	12,146,917
	<u>22,847,207</u>	<u>20,878,398</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 Ltd and Incolabs Pty Ltd.

The Bank of Melbourne Finance loan carries a current variable rate of interest at 5.89% per annum.

14 Investments in Associate

	31 January 2018	31 July 2017
	\$	\$
Investment in Heritage Luma Pty Limited	140,000	140,000
Total	<u>140,000</u>	<u>140,000</u>

During the year ended 31 July 2017 the Group acquired a 35% interest in Heritage Luma Pty Limited. The Group considers that it has significant influence over Heritage Luma Pty Limited as a result of its investment. Up to 31 January 2018 there has been no significant trading operations in Heritage Luma Pty Limited.

15 Issued Capital

	31 January 2018	31 July 2017
	\$	\$
Ordinary shares	25,915,489	25,915,489
Total	<u>25,915,489</u>	<u>25,915,489</u>

(a) **Ordinary shares**

	31 January 2018	31 July 2017
	No.	No.
At the beginning of the reporting period	1,801,111,087	1,801,111,087
At the end of the reporting period	<u>1,801,111,087</u>	<u>1,801,111,087</u>

Notes to the Financial Statements For the Half-Year Ended 31 January 2018

15 Issued Capital (continued)

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. The Company does not have authorised capital or par value in respect of its shares.

16 Commitments

(a) Operating leases

	31 January 2018 \$	31 July 2017 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	1,417,988	1,335,844
- between one year and five years	1,684,670	2,225,110
	<u>3,102,658</u>	<u>3,560,954</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall remain at the current rate for the term of the lease.

The operating leases for motor vehicles have lease terms of three-years. The company does not have the option to purchase the leased asset at the end of the lease period.

17 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2018 (31 July 2017: None).

18 Related Parties

(a) Transactions with related parties

Director fees of \$87,587 were paid or payable to the directors during the half-year.

There have been no other transactions with related parties.

20 Events Occurring After the Reporting Date

The financial report was authorised for issue on 28 March 2018 by the board of directors.

On 1 February 2018 Heritage announced it had entered into an agreement with Brands RMJ Pty Ltd to purchase the Cedel brand (and associated goodwill), contracts and stock, for a total consideration of \$2,000,000 plus stock. Of the total consideration, \$1,500,000 was payable on acquisition and the remaining \$500,000 six months after the acquisition date.

No other matter or circumstance has arisen since the end of the 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.

Heritage Brands Ltd and Controlled Entities
ABN 91 081 149 635

Notes to the Financial Statements
For the Half-Year Ended 31 January 2018

21 Company Details

The registered office of the company is:

Heritage Brands Ltd
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 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard *AASB 134: Interim Financial Reporting*; and
 - (b) give a true and fair view of the Group's financial position as at 31 January 2018 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

Dated 28 March 2018

ROTHSAY

CHARTERED ACCOUNTANTS

HERITAGE BRANDS LTD

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Heritage Brands Ltd:

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Heritage Brands Ltd, which comprises the consolidated statement of financial position as at 31 January 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Heritage Brands Ltd (the "consolidated entity"). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine 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 half-year financial report based on our review. We conducted our review in accordance with Australian 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 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 2018 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 Ltd, *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.

A Level 1/12 O'Connell Street
Sydney NSW 2000

GPO Box 542
Sydney NSW 2001

P 02 8815 5400
F 02 8815 5401

E info@rothsay.com.au
W www.rothsay.com.au

ABN 59 087 479 410

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HERITAGE BRANDS LTD

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

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 Heritage Brands Ltd, 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 Ltd 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 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

Rothsay Chartered Accountants

Frank Vrachas
Partner

Sydney, 28 March 2018