

Heritage Brands Ltd and Controlled Entities

ACN 081 149 635

Financial Statements

For the Half-Year Ended 31 January 2021

Heritage Brands Ltd and Controlled Entities
ACN 081 149 635

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For the Half-Year Ended 31 January 2021

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Heritage Brands Ltd

Chairman's Report

For the Half-Year Ended 31 January 2021

29 March 2021

Dear Shareholders,

Heritage Brands Limited ('Heritage' or the 'Company') delivered an improved result for the half-year ended 31 January 2021, with Earnings before Tax of \$1.08m; a \$1.4m improvement from the 2020 half-year results.

The improved results for the half-year reflects the success of pivoting the business to focus on growing its skincare and pure essential oils brands whilst minimising costs and trading exposure of its beauty brands including colour cosmetics and sunless tanning.

Heritage was able to deliver strong profit growth in a difficult retail market by:

- Restructuring the overheads of the business to be better aligned with the new sales reality;
- Renegotiating all trading terms with key retailers to ensure a more variable investment model plus withdrawing from any loss-making promotional activity;
- Fast tracking online e-commerce into international markets with a focus on our pure essential oils and skincare brands; and
- Realigning investment and improving margins within the colour cosmetics portfolio to ensure the brands are trading profitably.

With the ongoing pressures of Covid -19 and its effect on the retail market, the Company continues to monitor all aspects of the business heading into the second half. Our key focus will remain on our online / e-commerce sales, either via our retail partner's online stores, e-commerce dedicated marketplaces and to our own web sites to counter act the downturn in bricks and mortar retail.



M. Krok
Chairman

Directors' Report

For the Half-Year Ended 31 January 2021

The directors submit the financial report of the Heritage Brands Ltd and its controlled entities ('the Group') for the half-year ended 31 January 2021.

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:

KROK Maxim	Non-Executive Director
McCARTNEY William Thomson Venables	Non-Executive Director
MASON Stephen Leslie	Non-Executive Director
SMITH Brent	Non-Executive Director
KAPLAN Elliott	Non-Executive Director
GENDIS Constantinos	Managing Director

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.

Significant changes in state of affairs

Other than the Covid pandemic continuing to influence the Group's operations, there were no significant changes in the Group's state of affairs during the financial half-year.

Principal activities and significant changes in nature of activities

The principal activities of the Group include the selling and distribution of branded cosmetics, toiletries, skincare, self-tanning, nail care products, oils and fragrances.

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

Directors' Report

For the Half-Year Ended 31 January 2021

2. Operating results and review of operations for the half-year

Operating results

The Group recorded a profit after taxation of \$757,582 (2020: Loss \$328,440). The operating results are illustrated as follows:

	31 January 2021 \$	31 January 2020 \$
Net Revenue after Trading Terms	<u>26,277,430</u>	28,084,218
Earnings after Taxation	757,582	(328,440)
Taxation	<u>323,024</u>	(114,876)
Earnings before Taxation	1,080,606	(443,316)
Interest on Bank Loans	211,946	337,225
Interest on Shareholder Loans	181,480	181,493
Depreciation	559,461	939,645
Loss from Discounted Operations	-	1,029,000
EBITDA	<u>2,033,493</u>	<u>2,044,047</u>

Review of operations

Net revenue decreased compared to the same period as last year which was primarily due to Covid, however, the quality of the Group's earnings improved. As a result, Heritage is in a solid financial position and is well positioned to capitalise on the growth opportunities in the market.

3. Financial review

Financial position

The net assets of the Group increased by \$757,582 to \$22,851,957 at 31 January 2021 due to Profit after Tax of \$757,582.

4. Other items

Matters or circumstances arising after the end of the half-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's strategy is to grow the business organically and by acquisition as and when opportunities arise. Integral to this strategy is to focus on retail partners and pursue ongoing opportunities within the current brands owned and licensed by the Group. The current brands owned or licenced include Australis, Mode, Innox, Le Tan, Helios, In Essence, Oil Garden, Cottage Oil, Luma, Skin Republic, Cedel and 2XP.

Directors' Report

For the Half-Year Ended 31 January 2021

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 (2020: \$NIL). No recommendation for payment of dividends has been made.

Options

Unissued shares under option

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

During the half-year 10,000,000 share options previously issued to the Managing Director, Mr Constantinos Gendis at the AGM held in November 2015 lapsed on 26 December 2020. No shares were issued during the half-year prior to the lapse of the options.

Indemnification and insurance of officers and auditors

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct while acting in the capacity of director or company secretary of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

No indemnities have been issued or insurance premium paid in respect of auditors of the Company.

Directors' Report
For the Half-Year Ended 31 January 2021

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 2021 has been received and can be found on page 6 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Director:


Dated 29 March 2021

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

To the directors of Heritage Brands Ltd and its Controlled Entities

As lead auditor for the review of Heritage Brands Ltd and its Controlled Entities for the half-year ended 31 January 2021, 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 relation to Heritage Brands Ltd and the entities it controlled during the half-year.

Rothsay Chartered Accountants



Daniel Dalla

Partner

Sydney, 29 March 2021

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Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 January 2021

		31 January 2021	31 January 2020
	Note	\$	\$
Revenue	2	26,301,266	28,212,447
Other income	2	50,001	30
Cost of goods sold		(16,015,654)	(16,234,681)
Advertising and promotion		(1,388,886)	(1,976,188)
Depreciation and amortisation expense		(559,461)	(939,645)
Employee benefits expense		(3,986,942)	(4,982,889)
Finance costs	3	(393,426)	(518,718)
Other expenses	3	(2,721,292)	(2,763,722)
Occupancy expenses	11	(205,000)	(210,950)
Profit before income tax		1,080,606	585,684
Income tax expense	4	(323,024)	(193,824)
Profit (loss) for the half-year from continuing operations		757,582	391,860
Loss from discontinued operations	22	-	(720,300)
Profit (loss) for the half-year		757,582	(328,440)
Other comprehensive income		-	-
Total comprehensive income for the year		757,582	(328,440)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		0.04	0.02
Diluted earnings per share (cents)		0.04	0.02
From discontinued operations:			
Basic earnings per share (cents)		-	(0.04)
Diluted earnings per share (cents)		-	(0.04)
From continuing and discontinued operations:			
Basic earnings per share (cents)		0.04	(0.02)
Diluted earnings per share (cents)		0.04	(0.02)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 January 2021

		31 January 2021	31 July 2020
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	900,908	715,141
Trade and other receivables	7	6,828,687	6,478,936
Inventories	8	10,490,236	10,196,802
TOTAL CURRENT ASSETS		<u>18,219,831</u>	17,390,879
NON-CURRENT ASSETS			
Plant and equipment	9	784,211	722,766
Deferred tax assets	16	2,812,568	3,135,592
Intangible assets	10	19,253,136	19,253,136
Right-of-use assets	9	367,678	729,480
TOTAL NON-CURRENT ASSETS		<u>23,217,593</u>	23,840,974
TOTAL ASSETS		<u>41,437,424</u>	41,231,853
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	6,117,639	5,248,273
Borrowings	13	7,613,680	8,881,283
Shareholder loans	13	3,000,000	-
Lease liabilities	11	645,447	720,243
Employee benefits	14	961,539	886,693
TOTAL CURRENT LIABILITIES		<u>18,338,305</u>	15,736,492
NON-CURRENT LIABILITIES			
Shareholders loans	13	-	3,000,000
Lease liabilities	11	131,924	248,724
Employee benefits	14	115,238	152,262
TOTAL NON-CURRENT LIABILITIES		<u>247,162</u>	3,400,986
TOTAL LIABILITIES		<u>18,585,467</u>	19,137,478
NET ASSETS		<u>22,851,957</u>	22,094,375
EQUITY			
Issued capital	15	25,915,489	25,915,489
Retained earnings		<u>(3,063,532)</u>	(3,821,114)
TOTAL EQUITY		<u>22,851,957</u>	22,094,375

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Half-Year Ended 31 January 2021

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 August 2020	25,915,489	(3,821,114)	22,094,375
Profit for the half-year	-	757,582	757,582
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 January 2021	25,915,489	(3,063,532)	22,851,957
	\$	\$	\$
Balance at 1 August 2019	25,915,489	(1,395,174)	24,520,315
Loss for the half-year	-	(328,440)	(328,440)
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 January 2020	25,915,489	(1,723,614)	24,191,875

Statement of Cash Flows

For the Half-Year Ended 31 January 2021

	31 January 2021	31 January 2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	25,650,376	28,575,010
Payments to suppliers and employees	2 (23,423,008)	(26,293,770)
Interest received	194	573
Finance costs	3 (393,426)	(518,718)
Income taxes (paid) refunded	-	603,153
Net cash provided by/(used in) operating activities	<u>1,834,136</u>	<u>2,366,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	<u>(189,170)</u>	(385,017)
Net cash provided by/(used in) investing activities	<u>(189,170)</u>	<u>(385,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	(1,267,603)	(742,100)
Repayment of lease liabilities	<u>(191,596)</u>	<u>(743,833)</u>
Net cash provided by/(used in) financing activities	<u>(1,459,199)</u>	<u>(1,485,933)</u>
Net increase/(decrease) in cash and cash equivalents held	185,767	495,298
Cash and cash equivalents at beginning of year	<u>715,141</u>	<u>248,984</u>
Cash and cash equivalents at end of the half-year	6 <u>900,908</u>	<u>744,282</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

The financial report covers Heritage Brands Ltd ('the Company') and its controlled entities ('the Group'). Heritage Brands Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 29 March 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting half-year ended 31 January 2021 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with international financial reporting standard IAS 34: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. This condensed 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 2020, together with any public announcements made during the half-year.

New or amended Australian Accounting Standards and Interpretations adopted

The Group has adopted all the new and amended Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Australian Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

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.

2 Revenue and Other Income

	31 January 2021	31 January 2020
	\$	\$
Sales Revenue		
- Gross Sales	33,970,128	36,483,543
- Trading Terms	(7,692,698)	(8,399,325)
Net Sales	26,277,430	28,084,218
Other Revenue		
- Bank Deposit Interest	194	572
- Other Revenue	10,631	41,843
- Foreign Exchange Gains	13,011	85,814
Total Revenue	26,301,266	28,212,447
Other Income		
- Sundry Income	50,001	30
	50,001	30

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

3 Expenses

	31 January 2021	31 January 2020
	\$	\$
Interest Expense - External	211,946	337,225
Interest Expense - Shareholder Loans	181,480	181,493
Total finance expenses	393,426	518,718

Other Expenses

Sales Commissions	1,186,171	1,106,031
IT Development and Marketing Costs	557,072	545,872
Restructuring Costs	82,260	184,934
Other Expenses	895,789	926,885
Total	2,721,292	2,763,722

4 Income Tax Expense

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

Current Tax Expense	323,024	137,960
Deferred Tax Expenses	-	55,864
Income tax expense	323,024	193,824

(b) Reconciliation of income tax to accounting profit:

Profit	1,080,606	585,684
Tax	30.00%	30.00%
	324,182	175,705
Add:		
Tax effect of:		
- other non-allowable (non-assessable) items	(1,158)	18,119
	323,024	193,824

Notes to the Financial Statements

For the Half-Year Ended 31 January 2021

5 Operating Segments

Identification of reportable segments

The Group operates in only one operational segment in Australia; therefore, for the half-year ended 31 January 2021, 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 2021	31 July 2020
	\$	\$
Cash at bank and in hand	900,908	715,141
	<u>900,908</u>	<u>715,141</u>

7 Trade and Other Receivables

CURRENT		
Trade receivables	7,082,429	6,381,732
Allowance for impairment	(14,464)	(50,079)
Allowance for rebates, incentives and discounts	(1,475,208)	(1,145,986)
	<u>5,592,757</u>	<u>5,185,667</u>
Prepayments	1,165,930	1,153,269
Loan to Heritage Luma Pty Limited	70,000	140,000
	<u>6,828,687</u>	<u>6,478,936</u>

8 Inventories

CURRENT		
At net realisable value:		
Finished goods	12,154,368	12,574,752
Provision for slow moving and obsolete stock	(2,431,008)	(3,202,700)
Inventory in transit	766,876	824,750
	<u>10,490,236</u>	<u>10,196,802</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

9 Plant and equipment

	31 January 2021	31 July 2020
	\$	\$
Plant and equipment		
At cost	4,804,614	5,276,817
Accumulated depreciation	(4,020,403)	(4,554,172)
Total plant and equipment	784,211	722,645
Leasehold Improvements		
At cost	78,282	78,282
Accumulated amortisation	(78,282)	(78,161)
Total leasehold improvements	-	121
	784,211	722,766
Right-of-Use Assets		
At cost	1,967,078	1,967,078
Accumulated depreciation	(1,599,400)	(1,237,598)
Total Right-of-Use Assets	367,678	729,480

10 Intangible Assets

Intangible assets		
Goodwill		
Cost	12,596,828	12,596,828
Trademarks		
Cost	6,656,308	6,656,308
	19,253,136	19,253,136

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

11 Leases

	31 January 2021 \$	31 July 2020 \$
CURRENT		
Lease liabilities	645,447	720,243
	<u>645,447</u>	<u>720,243</u>
NON-CURRENT		
Lease liabilities	131,924	248,724
	<u>131,924</u>	<u>248,724</u>

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	31 January 2021 \$	31 January 2020 \$
Interest expense on lease liabilities	(24,458)	(61,440)
Depreciation of right-of-use assets	(361,802)	(766,004)
Office rental	(205,000)	(210,950)
	<u>(591,260)</u>	<u>(1,038,394)</u>

Statement of Cash Flows

Total cash outflow for leases	<u>(462,531)</u>	(1,016,223)
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12 Trade and Other Payables

	31 January 2021 \$	31 July 2020 \$
CURRENT		
Trade payables	4,612,709	3,681,787
Employee benefits	248,947	323,413
Sundry payables and accrued expenses	1,255,983	1,243,073
	<u>6,117,639</u>	<u>5,248,273</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within trading terms, typically 30 to 90 days from invoice. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

13 Borrowings

	31 January 2021 \$	31 July 2020 \$
CURRENT		
Unsecured liabilities:		
Insurance premium finance	32,475	194,852
Secured liabilities:		
Bank loans	7,581,205	8,686,431
Shareholder loans	3,000,000	-
Total current borrowings	10,613,680	8,881,283
NON-CURRENT		
Secured liabilities:		
Shareholder loans	-	3,000,000
Total non-current borrowings	-	3,000,000

(a) Bank Loan Facility

As at 31 January 2021, the Consolidated Group had a credit facility of \$15,200,000 (31 July 2020: \$15,400,000) of which \$7,652,134 (31 July 2020: \$6,713,569) is unused.

The Bank Facility has been secured over:

- first registered general security agreement over the assets and undertakings of each company in the Group;
- unlimited guarantee and indemnity given by each company in the Group;
- Right of entry deed with respect to property at 30 Bando Road, Springvale, Victoria; and
- Flawed asset arrangement over any cash deposits held with the Bank of Melbourne.

Under the terms of the Bank Facility, the Group is required to comply with the following financial covenants on a six-monthly basis:

- A capital ratio of no less than 15%;
- A minimum EBITDA of \$2 million excluding any impacts of non-cash inventory impairments up to \$1 million; and
- A stock turn ratio of no less than 2.30 times.

Defaults and breaches

During the current and prior half-year, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements For the Half-Year Ended 31 January 2021

13 Borrowings (continued)

(b) Shareholder Loan Facility

A short term secured loan facility for a maximum amount of up to \$4,000,000 has been made available to the Group from three of its substantial shareholders. The transaction was finalised in June 2019. The initial drawdown was for \$3,000,000. No further amounts have been drawn down up to the end of the half-year.

Material Conditions of the shareholder loan are as follows:

- The loan facility is \$4,000,000, of which \$1,000,000 remains unused at 31 January 2021;
- An establishment fee of 2% was charged;
- Interest is charged at 12% per annum payable monthly in arrears;
- The shareholder loan is due for repayment on 12 September 2021; and
- The loan is secured by a second registered general security agreement over the assets and undertakings of each company in the Group consented to by the Bank of Melbourne.

The carrying amounts of assets pledged as collateral for borrowings are:

	31 January 2021 \$	31 July 2020 \$
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	900,908	715,141
Trade and other receivables	6,828,687	6,478,936
Inventories	10,490,236	10,196,802
	<u>18,219,831</u>	<u>17,390,879</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2021

14 Employee Benefits

	31 January 2021 \$	31 July 2020 \$
CURRENT		
Annual leave	494,217	500,661
Long service leave	467,322	386,032
	<u>961,539</u>	<u>886,693</u>
NON-CURRENT		
Long service leave	115,238	152,262
	<u>115,238</u>	<u>152,262</u>

15 Issued Capital

1,801,111,087 Ordinary Shares (2019: 1,801,111,087)	25,915,489	25,915,489
	<u>25,915,489</u>	<u>25,915,489</u>

16 Tax assets and liabilities

Deferred tax asset

Deferred tax asset	2,812,568	3,135,592
	<u>2,812,568</u>	<u>3,135,592</u>

17 Dividends

No dividends were declared or paid during the half-year (2020: \$Nil).

Notes to the Financial Statements

For the Half-Year Ended 31 January 2021

18 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Subsidiaries:			
Heritage Brands (Australia) Pty Ltd	Australia	100	100
Innoxia Group Pty Ltd	Australia	100	100
Innoxia Holdings Pty Ltd	Australia	100	100
Innoxia Marks Pty Ltd	Australia	100	100
Incolabs Pty Ltd	Australia	100	100
Heritage Le Tan Pty Ltd	Australia	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

19 Interests in Associates

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Associates:			
Heritage Luma Pty Ltd	Australia	-	35

*The percentage of ownership interest held is equivalent to the percentage voting rights for all associates.

	31 January 2021 \$	31 July 2020 \$
Associates:		
Investment in Heritage Luma Pty Limited	-	140,000

The Group's interest in Heritage Luma Pty Ltd was sold on 31st December 2020 and while the Group has no further investment in the Company, it retains the distribution rights of the brand. Outstanding Loans are being repaid according to the sale agreement.

*The percentage of ownership interest held is equivalent to the percentage voting rights for all associates.

20 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2021 (31 July 2020:None).

21 Related Parties

Transactions with related parties

Director fees of \$104,838 (2020: \$93,338) were paid or payable to the directors during the half-year.

Notes to the Financial Statements For the Half-Year Ended 31 January 2021

22 Discontinued Operations

There were no discontinued brands during the half-year ended 31 January 2021.

Financial information relating to the discontinued operations at 31 January 2020 is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit / (loss) from discontinued operations is as follows:

	31 January 2021	31 January 2020
	\$	\$
Revenue	-	-
Expenses	-	1,029,000
Profit before income tax	-	1,029,000
Loss attributable to members of the parent entity	-	1,029,000
Income tax benefit	-	(308,700)
Total profit after tax attributable to the discontinued operation	-	<u>720,300</u>

23 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.

The financial report was authorised for issue on 29 March 2021 by the Board of Directors.

24 Statutory Information

The registered office and principal place of business 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 7 to 20 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 2021 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, pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Director


Dated 29 March 2021

ROTHSAY

CHARTERED ACCOUNTANTS

HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Heritage Brands Ltd:

Conclusion

We have reviewed the half-year financial report of Heritage Brands Ltd (“the Company”), and its controlled entities (“the Group”), which comprises the consolidated statement of financial position as at 31 January 2021, the consolidated statement of profit and 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, a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group’s financial position as at 31 January 2021 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (“the Code”) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor’s review report.

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HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

Directors' Responsibility for the 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 AASB 134 *Interim Financial Reporting* 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 gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 January 2021 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*.

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.

Rothsay Chartered Accountants

Daniel Dalla

Partner

Sydney, 29 March 2021