

Heritage Brands Limited and Controlled entities

Chairman's Report for the Half Year ended 31 January 2013

Dear Shareholder,

Despite a continuing difficult retail environment, Heritage Brands Limited (Heritage) has delivered an above budget financial performance for the 6 months ended the 31st January 2013. Sales are up on comparative basis on the previous six months to the 31st January 2012; however profit is down (as per the table below):

| | 6 mths ended January 2013 | 6 mths ended January 2012 | % Variance |
|-------------------|---------------------------|---------------------------|------------|
| Sales | \$16,146,896 | \$14,594,702 | +10.6% |
| Profit before tax | \$865,827 | \$1,175,936 | (-26.4%) |
| EBITDA | \$1,475,456 | \$1,871,171 | (-21.1%) |

The profit is down vs. last year due to increased marketing support for the new brands, *In Essence and Oil Garden*, and additional employee expenses related to these new brands.

While the company's financial performance is in line with management's expectations we believe Heritage will continue to experience difficult retail trading conditions throughout the 2013 financial year.

Recent feedback in our industry suggests a downturn in consumer confidence has resulted in ongoing retail closures and growing unemployment which has affected the amount of consumer dollars being spent on health and beauty products. Nevertheless, the Directors' of Heritage remain committed to the company's strategy of growth by acquisition of iconic Australian brands. In this regard we are continuing to review opportunities that fit our stated strategy, plus we are also constantly analysing our current structure to position the company for ongoing organic growth.

As at today's date, Heritage is performing in line with expectations and we expect to deliver an increased profit compared with 2012 full year results.


David Fairfull

Chairman


Steve Goodey
Managing Director

4th April 2013