Heritage Brands Limited and Controlled Entities

ABN 91 081 149 635

Consolidated Financial Statements

For the Half Year Ended 31 January 2014

Contents

For the Half Year Ended 31 January 2014

Directors' Report

For the Half Year Ended 31 January 2014

The directors submit the financial report of the Group, being Heritage Brands Limited (the Company) and its controlled entities, for the half year ended 31 January 2014.

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)
GOODEY Stephen Donald Alfred (Managing Director)
MASON Stephen Leslie (Non-executive Director)
McCARTNEY William Thomson (Non-executive Director)
COX Peter Henry Townsend (Non-executive Director)
SMITH Brent Charles Albert (Non-executive Director)

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

Sales revenue in Note 2 is defined as Gross Sales less Trading Terms. Gross sales are up 1% over the same period last year. The consolidated profit of the Group amounted to $350,646, after providing for income tax. This represented a 60% reduction on the results reported for the half year ended 31 January 2013 and is addressed in the review of operations below.

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.

As a result sales revenue after trading terms for the half year decreased by 3% compared to the same period last year. This result is primarily due to the significant increase in variable trade spend with our major retail partners for the half year ended 31 January 2014 as described above.

Recent acquisitions in the Aromatherapy area of our business are performing to 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 $350,646 from 31 July 2013 to $7,034,096 at 31 January 2014. This increase is due to the increase in profit after tax.

In addition to the above the balance sheet shows:

- An inventory build-up for a major second half product launch: and
- A reduction in bank borrowings.

4. Other items

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 2014 has been received and can be found on page 3 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 2 April 2014

Rothsay®
Chartered Accountants

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 2014, 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.

Graham Swan

Partner

Rothsay Chartered Accountants

Sydney, 2 April 2014

Chartered Accountants

Level 1, 12 O'Connell Street, Sydney NSW 2000
GPO Box 542, Sydney NSW 2001
Phone: (02) 8815 5400 Fax: (02) 8815 5401

ABN: 59 087 479 410

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 January 2014

		Consolidated	
		31 January 2014	**31 January 2013**
	Note	**$**	**$**
Revenue	2	**15,657,432**	16,173,180
Other income	2	**62,367**	48,786
Cost of goods sold		**(8,501,203)**	(8,269,453)
Employee benefits expense		**(2,690,135)**	(2,650,326)
Depreciation and amortisation expense		**(128,943)**	(212,270)
Occupancy expenses		**(213,371)**	(208,778)
Freight and cartage		**(485,026)**	(432,663)
Advertising and promotion		**(2,066,353)**	(2,394,476)
Other expenses		**(863,404)**	(790,815)
Finance costs	3	**(420,719)**	(397,358)
Profit before income tax		**350,646**	865,827
Income tax expense	6	**-**	-
Profit for the period		**350,646**	865,827
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive income for the period		**350,646**	865,827
Profit attributable to:			
Members of the parent entity		**350,646**	865,827
Total comprehensive income attributable to:			
Members of the parent entity		**350,646**	865,827
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		**0.08**	0.19
Diluted earnings per share (cents)		**0.08**	0.19

The accompanying notes form part of these financial statements.

Heritage Brands Limited and Controlled Entities
ABN 91 081 149 635

Consolidated Statement of Financial Position

As At 31 January 2014

		Consolidated	
		31 January 2014	31 July 2013
	Note	$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**549,237**	237,496
Trade and other receivables		**4,256,051**	4,406,449
Inventories		**6,053,171**	4,776,504
TOTAL CURRENT ASSETS		**10,858,459**	9,420,449
NON-CURRENT ASSETS			
Property, plant and equipment		**397,406**	401,127
Intangible assets	5	**7,245,472**	7,185,472
Deferred tax assets	6	**359,006**	358,539
TOTAL NON-CURRENT ASSETS		**8,001,884**	7,945,138
TOTAL ASSETS		**18,860,343**	17,365,587
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**5,162,030**	3,208,003
Borrowings	8	**6,164,740**	6,944,599
Employee benefits		**266,307**	322,963
TOTAL CURRENT LIABILITIES		**11,593,077**	10,475,565
NON-CURRENT LIABILITIES			
Employee benefits		**233,170**	206,572
TOTAL NON-CURRENT LIABILITIES		**233,170**	206,572
TOTAL LIABILITIES		**11,826,247**	10,682,137
NET ASSETS		**7,034,096**	6,683,450
EQUITY			
Issued capital	9	**16,102,935**	16,102,935
Retained earnings		**(9,068,839)**	(9,419,485)
TOTAL EQUITY		**7,034,096**	6,683,450

The accompanying notes form part of these financial statements.

Heritage Brands Limited and Controlled Entities
ABN 91 081 149 635

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 January 2014

31 January 2014	Consolidated		
	Share Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 August 2013	**16,102,935**	**(9,419,485)**	**6,683,450**
Profit for the period	**-**	**350,646**	**350,646**
Other comprehensive income for the period	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**350,646**	**350,646**
Transactions with owners in their capacity as owners			
Dividends provided for or paid	**-**	**-**	**-**
Balance at 31 January 2014	**16,102,935**	**(9,068,839)**	**7,034,096**

31 January 2013	Consolidated		
	Share Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 August 2012	16,102,935	(10,210,734)	5,892,201
Profit for the period	-	865,827	865,827
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	865,827	865,827
Transactions with owners in their capacity as owners			
Dividends provided for or paid	-	-	-
Balance at 31 January 2013	16,102,935	(9,344,907)	6,758,028

The accompanying notes form part of these financial statements.

Heritage Brands Limited and Controlled Entities
ABN 91 081 149 635

Consolidated Statement of Cash Flows
For the Half Year Ended 31 January 2014

	Consolidated	
	31 January 2014 $	31 January 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**15,867,315**	15,699,722
Payments to suppliers and employees	**(14,083,007)**	(14,401,988)
Interest received	**2,882**	2,632
Finance costs	**(420,719)**	(397,358)
Net cash provided by (used in) operating activities	**1,366,471**	903,008
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(132,664)**	(122,844)
Purchase of business brands and associated inventories	**(142,207)**	-
Net cash used by investing activities	**(274,871)**	(122,844)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	**(779,859)**	(809,744)
Net cash used by financing activities	**(779,859)**	(809,744)
Net increase (decrease) in cash and cash equivalents held	**311,741**	(29,580)
Cash and cash equivalents at beginning of period	**237,496**	273,569
Cash and cash equivalents at end of the period	**549,237**	243,989

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

1 Basis of Preparation

This consolidated interim financial report for the half year reporting period ended 31 January 2014 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 2013, 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 2014, the Group's current liabilities exceed its current assets by $734,618 largely due to the classification of Shareholders Loans during the financial half year then ended. This matter gives rise to a material uncertainty that casts 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 one or more of the following:

- renegotiation of the repayment of existing borrowings from the major shareholders which are maturing on 19 August 2014, included in current liabilities (see note 8); and
- 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 2014, the Group has undrawn credit facility amounting to $1,273,986 and cash of $549,237

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.

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*

Adoption of new and revised accounting standards continued

- 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. 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

Notes to the Financial Statements
For the Half Year Ended 31 January 2014

Adoption of new and revised accounting standards continued

at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

Critical accounting estimates and judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 31 July 2013 annual financial report.

2 Revenue and Other Income

Revenue from continuing operations

	Consolidated	
	31 January 2014 $	31 January 2013 $
Sales revenue		
- sale of goods	**15,602,964**	16,132,328
	15,602,964	16,132,328
Other revenue		
- Bank deposits interest	**2,882**	2,632
- other revenue	**51,586**	38,220
Total Revenue	**15,657,432**	16,173,180

Other Income		
Sundry income	**62,367**	48,786

3 Finance Costs

	Consolidated	
	31 January 2014 $	31 January 2013 $
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Interest expense - related parties	**196,685**	215,192
Interest expense - external	**224,034**	182,166
Total finance costs	**420,719**	397,358

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

4 Operating Segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board of Directors which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

Therefore, management identified the Group as having only one reportable segment. The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole. There have been no changes in the operating segments during the half year.

5 Intangible Assets

During the half year ended 31 January 2014, the Group acquired new trademarks amounting to $60,000.

6 Tax

Recognised deferred tax assets and liabilities

	Consolidated	
	31 January 2014	**31 July 2013**
	$	**$**
Deferred tax assets	**359,006**	358,539

Income tax expense is based on management's estimate of income tax expected for the full financial year. As the Group has sufficient tax losses not brought to account, no tax expense is expected for the period.

7 Trade and other payables

	Consolidated	
	31 January 2014	**31 July 2013**
	$	**$**
CURRENT		
Unsecured liabilities		
Trade payables	**3,582,633**	2,570,495
Employee benefits	**151,115**	47,952
Sundry payables and accrued expenses	**1,428,282**	589,556
	5,162,030	3,208,003

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

8 Borrowings

	Note	Consolidated 31 January 2014 $	31 July 2013 $
CURRENT			
Unsecured liabilities:			
Lease liability unsecured		**19,111**	76,443
		19,111	76,443
Secured liabilities:			
Debtor finance - Scottish Pacific Business Finance Pty Ltd		**1,876,883**	2,599,410
Shareholder loans	12(a)	**4,268,746**	4,268,746
		6,145,629	6,868,156
Total current borrowings		**6,164,740**	6,944,599
Total borrowings		**6,164,740**	6,944,599

The shareholder loans fall due for payment on 19 August 2014. The loans are currently being reviewed by the Directors together with the related shareholders and will be resolved by year end. As at 31 January 2014, the Consolidated Group has a credit facility of $5,000,000, of which $3,123,000 is unused. The directors are of the opinion that these factors enable the Group to preserve its liquidity and 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 2014 $	31 July 2013 $
Financial assets that have been pledged as part of the total collateral for the benefit of Scottish Pacific Business Finance Pty Ltd:		
Cash and cash equivalents	**549,237**	237,496
Trade and other receivables	**4,256,051**	4,406,449
	4,805,288	4,643,945
Non-current assets that have been pledged as security for the benefit of shareholders:		
Property, plant and equipment	**397,406**	401,127
Trademarks and licences	**4,648,644**	4,588,644
	5,046,050	4,989,771
Total	**9,851,338**	9,633,716

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

8 Borrowings continued

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 carry a current variable rate of interest at 9.14% 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, Innoxa Group Pty Ltd, Innoxa Holdings Pty Ltd, Innoxa Marks Pty Ltd and Incolabs Pty Ltd and carry a variable rate of interest at 9.14% per annum.

9 Issued Capital

	Consolidated	
	31 January 2014 $	31 July 2013 $
457,622,635 (2013: 457,622,635) Ordinary shares	**16,102,935**	16,102,935
Total	**16,102,935**	16,102,935

(a) Ordinary shares

	Consolidated	
	31 January 2014 No.	31 July 2013 No.
At the beginning of the reporting period	**457,622,635**	457,622,635
At the end of the reporting period	**457,622,635**	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.

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

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

10 Commitments

(a) Operating leases

	Consolidated	
	31 January 2014 $	31 July 2013 $
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**188,305**	432,860
- between one year and five years	**40,390**	87,005
	228,695	519,865

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.

11 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2014 (31 July 2013: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 2014 $	31 July 2013 $
Ultimate parent		
Souls Private Equity Ltd	**1,016,282**	1,016,282
Maximize Equity Pty Ltd	**949,431**	949,431
Rawlo International Pty Ltd	**1,538,000**	1,538,000
Others	**765,033**	765,033
	4,268,746	4,268,746

Notes to the Financial Statements

For the Half Year Ended 31 January 2014

13 Events Occurring After the Reporting Date

On 27th February 2014, the Shareholders at a Board Meeting, resolved to roll their loans over until the 19th August 2014.

No other 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 4 to 15 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated group's financial position as at 31 January 2014 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: 2 April 2014

Rothsay®
Chartered Accountants

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 2014, 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 2014 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.

Chartered Accountants

Level 1, 12 O'Connell Street, Sydney NSW 2000
GPO Box 542, Sydney NSW 2001
Phone: (02) 8815 5400 Fax: (02) 8815 5401

ABN: 59 087 479 410

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 2014 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 $734,618 as at 31 January 2014. 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

Graham Swan
Partner

Sydney, 2 April 2014