# Heritage Brands Ltd and Controlled Entities

**ABN 91 081 149 635**

## Annual Report

**For the Year Ended 31 July 2017**

**Heritage Brands Ltd and Controlled Entities**
**ABN 91 081 149 635**

# Contents

**31 July 2017**

**Heritage Brands Ltd and Controlled Entities**
**ABN 91 081 149 635**

# Chairman's Report

**31 July 2017**

Dear Shareholder,

The 2016/17 financial year has been a mixed one for Heritage with gross sales up 10% over the previous year while EBITDA (before abnormal items) decreased 0.5% and net profit before tax down 17.1%, largely due to the abnormal items.

The results reflect a significant and unexpected slowdown in retail sales in the second half of the year across major retailers plus the following:

- Increased competitor price discounting activity;
- An increase in cost of sales of 11% resulting in a decrease in gross profit. and
- An increase in the cost of doing business across the sector and abnormal items of $917,000 to secure new revenue streams for 2017/2018 year.

Notwithstanding the foregoing, our profit after tax of $3.846M (2015/2016 $4.704M) was disappointing and well below management and your board's expectations at the commencement of the financial year.

Despite the challenging financial results the Heritage Brands Group made a number of significant developments and investments during 2016/17 year as follows:

- Continued growth in our online and overseas markets especially South-East Asia and Europe,
- Developed 3 new brands, Uber Dark by le tan, Luma and 2XP and relaunched its entire sun protection portfolio.
- Out sourced it field salesforce to a third party variable cost model. Increasing the direct coverage of Pharmacy doors from 1850 to 3200 stores, which will drive growth in the F18 financial year.
- Finalised a strategic alliance with Medlab Clinical Ltd (ASX: MDC) for the launch of a new brand for distribution of next generation new products in the Wellbeing retail space. This move satisfies a Heritage strategy to grow the "Wellbeing" side of our Business. This investment for the future was the majority of the abnormal item.

All of the foregoing initiatives should lead to a significant increase in sales in the second half of the year when most of these products will be released not only in domestic markets but also overseas.

From a quantitative point of view Heritage Brands is currently tracking in line with budget for the first two months of 2017/18 year. Subject to no unforeseen circumstance the management team are forecasting an improvement in financial performance for the coming year.

DAVID FAIRFULL
CHAIRMAN

CON GENDIS
MANAGING DIRECTOR/CEO

# Directors' Report

## 31 July 2017

The directors present their report, together with the financial statements of the Group, being Heritage Brands Ltd ("the Company") and its controlled entities ("the Group"), for the financial year ended 31 July 2017.

### 1. General information

**Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

| | |
|---|---|
| **FAIRFULL David John** | Non-Executive Chairman |
| Qualifications | B.Com, A.C.I.S, C.P.A., F.Fin, M.A.I.C.D. |
| Experience | Merchant banker with over 40 years' experience in mergers and acquisitions and underwriting projects. Chairman of Hall Chadwick Chartered Accountants |
| Other current directorships in listed entities | Specialist Oncology Property Group and its Consolidated Entities |
| Special responsibilities | Member of the Audit, Risk and Corporate Governance Committee |
| Other directorships in listed entities held in the previous three years | Washington H. Soul Pattinson and Company Limited<br>New Hope Corporation Limited |

| | |
|---|---|
| **KROK Maxim** | Non-Executive Director |
| Qualifications | BProc LLB |
| Experience | Entrepreneur and Investor with over 35 years' experience across a wide range of business sectors, including pharmaceuticals, cosmetics, FMCG and medical devices, both as an Executive and Non- Executive Director. |
| Special responsibilities | Chairman of remuneration committee |
| Other directorships in listed entities held in the previous three years | None |

| | |
|---|---|
| **MASON Stephen Leslie** | Non-Executive Director |
| Qualifications | LLB, BComm, DipCM, FCPA, FGIA, FCSA, JP |
| Experience | Former CEO of Creative Brands Pty Ltd and Finance Director of ASX-listed Lemarne Corporation Ltd for over 10 years and Company Secretary for 20 years. Currently CEO of the Australian Patients Association. |
| Special responsibilities | Chairman of the Audit, Risk and Corporate Governance Committee |
| Other directorships in listed entities held in the previous three years | Lemarne Corporation Limited |

| | |
|---|---|
| **McCARTNEY William Thomson** | Non-Executive Director |
| Qualifications | Former MD CEO Bronson and Jacobs Group, Sunspirit Aromatherapy, Australian Plantations, Essential Oils Of Tasmania,Bridestowe Estate,KenKay Pharmaceuticals for over 35 years, former Non-Executive Director Leap Legal Software. Currently Group Director Business Development Bontoux SA |
| Experience | Over 40 years' experience in the cosmetic fragrance, toiletry, food and flavour industries in Australia, South East Asia and China |
| Special responsibilities | Member of remuneration committee |
| Other directorships in listed entities held in the previous three years | None |

| | |
|---|---|
| **GENDIS Conatantinos** | Managing Director |
| Qualifications | B.App. Sc ,Grad Dip Marketing |
| Experience | Over 25 years' experience in the FMCG Industry both local and abroad |
| Special responsibilities | Managing Director |
| Other directorships in listed entities held in the previous three years | None |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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

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

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

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

**Operating results**

Heritage Brands Limited has delivered a profit for the year ended 31 July 2017. Gross sales are up 10% on last year despite a significant slowdown in retail sales for the second half of the year. Costs of doing business increased during the year and as a result Net Sales Value only increased by 9%. Sales mix and liquidation of obsolete stock accounted for a margin increase of only 7%. Significant investment into the future resulted in a flat EBITDA and abnormal items, representing expenditure to secure new revenue streams for 2018, amounted to $783,000 resulting in a Profit after Tax of $3,846,479 (2016: $4,704,332)

The outlook for the Group remains positive and management is focused on adding shareholder value through organic as well as acquisitive growth.

**Review of operations**

Net Revenue for the year was $54,754,664 (2016: $49,981,920). Profit after tax for the year was $3,846,479 (2016: $4,704,332).

The increase in Sales is attributable to a solid performance to our key Brands, Le Tan, Australis and our Essential Oil business.

## 3. Financial review

**Financial position**

The net assets of the Group have increased by $3,846,479 from $22,698,097 at 31 July 2016 to $26,544,576 at 31 July 2017. This increase is due to the profit earned and retained by the Group.

The Groups banking facilities were consolidated during the year and this has enabled a strong platform for future growth from current operations as well as exploiting new sales channels in 2018.

# Directors' Report

**31 July 2017**

### 4. Summary of Performance

| | | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|
| Gross Revenue | $'000 | 33,800 | 35,606 | 37,617 | 63,091 | **69,552** |
| Trading Terms | $'000 | 4,514 | 5,572 | 5,878 | 13,430 | **15,247** |
| Net Revenue | $'000 | 29,289 | 30,034 | 31,739 | 49,661 | **54,305** |
| EBITDA – before abnormal item | $'000 | 1,913 | 1,124 | 2,623 | 5,988 | **5,955** |
| Abnormal item - future investment ** | $'000 | - | - | - | 83 | **917** |
| EBITDA after Abnormal Items | $'000 | 1,913 | 1,124 | 2,623 | 5,905 | **5,038** |
| Net profit/loss before tax | $'000 | 791 | 28 | 1,470 | 4,941 | **4,094** |
| Total assets | $'000 | 17,366 | 19,703 | 32,227 | 38,677 | **42,346** |
| Total liabilities | $'000 | 10,682 | 12,992 | 14,233 | 15,979 | **15,801** |
| Shareholders' funds | $'000 | 6,683 | 6,711 | 17,993 | 22,698 | **26,545** |
| Earnings per share | Cents | 0.17 | 0.01 | 0.32 | 0.26 | **0.21** |
| Dividend per share | Cents | - | - | - | - | **-** |
| Net tangible assets per share | Cents | (0.18) | (0.19) | 0.08 | 0.29 | **0.46** |
| Price earnings ratio | x | 12.72 | 246.17 | 6.20 | 12.63 | **14.05** |

*The shares of the Group were last traded at 3.0 cents for the year ended 31 July 2017.

** Refer Note 4

### 5. Other items

**Significant changes in state of affairs**

There have been no significant changes in the state of affairs of entities in the Group during the year.

**Dividends paid or recommended**

No dividends were paid or declared for payment during the year.

**Events after the reporting date**

No matters or circumstances have arisen since the end of the financial 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 licensed include Australis, Mode, Innoxa, Le Tan, Nailene, Fing'rs, Revlon Nails, In Essence, Oil Garden, Luma, Thank You and Skin Republic.

**Environmental issues**

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

### Company secretary

The following person held the position of Company secretary at the end of the financial year: Christopher William McGibbon CA (SA) has been the company secretary since 9 February 2009. Prior to this role, Chris was the Managing Director of Innoxa Holdings Pty Ltd.

### Meetings of directors

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | | Audit, Risk and Corporate Governance Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| FAIRFULL David | 10 | 10 | 2 | 2 | | |
| KROK Maxim | 10 | 10 | | | 2 | 2 |
| McCARTNEY William Thomson | 10 | 7 | | | 2 | 2 |
| MASON Stephen Leslie | 10 | 10 | 2 | 2 | | |
| GENDIS Constantinos | 10 | 10 | | | | |

### 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 premiums paid amounted to $25,515 (2016: $16,635).

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

### Options

The CEO has been granted 10,000,000 options with an exercise price of $0.02 per option. The options will vest if the CEO continues in his role in the Group and on satisfaction of the following:

1. On achievement of a share price equal to or greater than $0.025 after 3 years of grant date 2,500,000 options will be exercisable;
2. On achievement of a share price equal to or greater than $0.0325 after 4 years of grant date 2,500,000 options will be exercisable; and
3. On achievement of a share price equal to or greater than $0.045 after 5 years of grant date 5,000,000 options will be exercisable.

The final exercise date is 30 days after the fifth anniversary on the date of the issue of the options.

The terms and conditions of each grant of options are as follows:

# Directors' Report

**31 July 2017**

| Grant Date | Vesting and Exercise Date | Expiry Date | Exercise Price | Performance Achievement | Vested |
|---|---|---|---|---|---|
| 26 November 2015 | 26 November 2018 | 26 December 2020 | $0.02 | To be determined | N/A |
| 26 November 2015 | 26 November 2019 | 26 December 2020 | $0.02 | To be determined | N/A |
| 26 November 2015 | 26 November 2020 | 26 December 2020 | $0.02 | To be determined | N/A |

The table below shows a reconciliation of options held by from the beginning to the end of the financial year:

| Name and Grant Date | Balance at the Start of the Year | | Granted as Compensation | Exercisable | Exercised | Forfeited | Balance at the End of the Year | |
|---|---|---|---|---|---|---|---|---|
| | Unvested | Vested | | | | | Unvested | Vested |
| **Constantinos Gendis** | | | | | | | | |
| 26 November 2015 | 2,500,000 | - | - | - | - | - | 2,500,000 | - |
| 26 November 2015 | 2,500,000 | - | - | - | - | - | 2,500,000 | - |
| 26 November 2015 | 5,000,000 | - | - | - | - | - | 5,000,000 | - |

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

During the year ended 31 July 2017, 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.

**Non-audit services**

The Board of Directors, in accordance with advice from the Audit, Risk and Corporate Governance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit, Risk and Corporate Governance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditor for non-audit services provided during the year ended 31 July 2017:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Taxation compliance services (excludes GST) to Rothsay Chartered Accountants | **5,350** | 8,726 |
| | **5,350** | 8,726 |

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 July 2017 has been received and can be found on page 15 of the financial report.

### Remuneration report (audited)

### Remuneration policy

The remuneration policy of Heritage Brands Ltd and Controlled Entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Heritage Brands Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- the remuneration policy has been developed by the Remuneration Committee and approved by the Board following professional advice from independent external consultants;
- all key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives;
- performance incentives are based on predetermined key performance indicators; and
- the Remuneration Committee reviews key management personnel packages annually by reference to the Group’s performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group’s profits and shareholders’ value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee’s recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting, the current maximum is $250,000 which was approved at the 2016 AGM.

### Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method applied to achieve this aim is a performance-based bonus based on key performance indicators to encourage the alignment of personal and shareholder interests. The Company believes this policy has been appropriate.

The following table shows the revenue, net profit and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years.

### Remuneration report (audited)

### Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external of the Group at this time.

### Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

The remuneration and other terms of employment for the Managing Director and senior executives are set out in formal service agreements as summarised below.

All service agreements are for an unlimited duration. The agreements for executives (other than the Managing Director, Chief Executive Officer and Chief Finance Officer which require three months notice) may be terminated by giving six weeks notice (except in cases of termination for cause where termination is immediate).

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

### Remuneration report (audited)

### Remuneration details for the year ended 31 July 2017

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

### Table of benefits and payments

| | Short term | | Long term | Post-employment | Total |
|---|---|---|---|---|---|
| | Cash salary fees | Bonus | Long service leave accrued | pension and superannuation | |
| **2017** | **$** | **$** | **$** | **$** | **$** |
| **Directors** | | | | | |
| FAIRFULL David John | **39,900** | **-** | **-** | **-** | **39,900** |
| KROK Maxim | **34,125** | **-** | **-** | **-** | **34,125** |
| GENDIS Constantinos | **420,890** | **-** | **3,925** | **39,042** | **463,857** |
| MASON Stephen Leslie | **36,750** | **-** | **-** | **-** | **36,750** |
| McCARTNEY William Thomson | **29,400** | **-** | **-** | **-** | **29,400** |
| **KMP** | | | | | |
| McGIBBON Christopher William | **281,522** | **-** | **11,579** | **28,197** | **321,298** |
| | **842,587** | **-** | **15,504** | **67,239** | **925,330** |

| | Short term | | Long term | Post-employment | Total |
|---|---|---|---|---|---|
| | Cash salary fees | Bonus | Long service leave accrued | pension and superannuation | |
| **2016** | **$** | **$** | **$** | **$** | **$** |
| **Directors** | | | | | |
| FAIRFULL David John | 29,333 | - | - | - | 29,333 |
| KROK Maxim | 24,667 | - | - | - | 24,667 |
| GENDIS Constantinos | 365,304 | 198,204 | 1,949 | 53,544 | 619,199 |
| MASON Stephen Leslie | 26,333 | - | - | - | 26,333 |
| McCARTNEY William Thomson | 20,417 | - | - | - | 20,417 |
| COX Peter Henry Townsend | 2,333 | - | - | - | 2,333 |
| **KMP** | | | | | |
| McGIBBON Christopher William | 273,980 | 110,489 | 9,128 | 36,517 | 430,114 |
| | 742,367 | 308,891 | 11,077 | 90,061 | 1,152,396 |

### Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

### Cash performance-related bonuses

No director or key management personnel received cash bonuses during the year due to the performance or service criteria not being met.

No amounts vest in future financial years in respect of the bonus schemes for the current financial year.

# Directors' Report
## 31 July 2017

**Remuneration report (audited)**

**Key Management Personnel Disclosures**

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Short-term employee benefits | **842,587** | 1,051,258 |
| Long-term employee benefits | **15,504** | 11,077 |
| Post-employment benefits | **67,239** | 90,061 |
| | **925,330** | 1,152,396 |

**Key management personnel shareholdings**

The number of ordinary shares in Heritage Brands Ltd held by each key management person, or their related parties, of the Group during the financial year is as follows:

| | Balance at beginning of year | Other changes during the year | Balance at the end of year |
|---|---|---|---|
| **31 July 2017** | | | |
| **Directors** | | | |
| GENDIS Constantinos | 13,333,333 | - | 13,333,333 |
| FAIRFULL David John | 3,172,254 | - | 3,172,254 |
| KROK Maxim | 383,148,971 | - | 383,148,971 |
| MASON Stephen Leslie | 163,895,060 | - | 163,895,060 |
| McCARTNEY William Thomson | 452,470,639 | - | 452,470,639 |
| **Other KMP** | | | |
| McGIBBON Christopher William | 8,003,333 | - | 8,003,333 |
| | 1,024,023,590 | - | 1,024,023,590 |

# Directors' Report

## 31 July 2017

**Remuneration report (audited)**

**Key management personnel shareholdings**

The number of ordinary shares in Heritage Brands Ltd and Controlled Entities held by each key management person, or their related parties, of the Group during the preceding financial year is as follows:

| | Balance at beginning of year | Other changes during the year | Balance at end of year |
|---|---|---|---|
| **31 July 2016** | | | |
| GENDIS Constantinos | 13,333,333 | - | 13,333,333 |
| FAIRFULL David John | 3,172,254 | - | 3,172,254 |
| KROK Maxim | 383,148,971 | - | 383,148,971 |
| MASON Stephen Leslie | 163,895,060 | - | 163,895,060 |
| McCARTNEY William Thomson | 452,470,639 | - | 452,470,639 |
| **Other KMP** | | | |
| McGIBBON Christopher William | 8,003,333 | - | 8,003,333 |
| | 1,024,023,590 | - | 1,024,023,590 |

**Other key management personnel transactions**

For details of other transactions with key management personnel, refer to Note 24: Related Party Transactions.

This Director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: ...............................................................

Dated 26th September 2017

# Corporate Governance Statement

## 31 July 2017

The Board of Heritage Brands Ltd ("the Company") is committed to maintaining the highest standards of corporate governance. Corporate governance is about having a set of values that underpin the Company's everyday activities and values that ensure fair dealing, transparency of actions and protect the interests of stakeholders.

The Company has been guided by the principles of corporate governance promoted by the National Stock Exchange (NSX). This statement outlines the main corporate governance practice followed by the Company, which take into account the operational requirements of the Company. The Company's corporate governance framework includes a Board Charter and various policies, which are reviewed each year.

### Role of the Board and Management

The Board's primary role is the overall operation and stewardship of the Company for the protection and enhancement of long term shareholder value.

To fulfil this role, the Board is responsible for setting the overall strategic direction, financial objectives and operational goals of the Company and monitoring management's implementation of these. The Board is also responsible for overseeing succession planning for directors and senior management, determining remuneration for senior management and for directors (within shareholder approved limits), identifying and managing risk, monitoring the integrity of internal control and management information systems and approving and monitoring financial and other reporting.

The Board has delegated responsibility for the day- to- day operations and administration of the Company to the senior management team and these responsibilities are delineated by formal delegated authority. These responsibilities are reviewed against appropriate performance indices and updated at regular intervals including annual salary reviews and setting of the Company's key milestones.

### Board size and composition

The Board determines its size and composition, subject to the limits imposed by the Company's Constitution, which requires a minimum of three and a maximum of ten directors. From time to time the Board may review the appropriate number of directors and may resolve to appoint additional directors who possess skills that will add value of the Board. New appointments are to be ratified by the members at the next Annual General Meeting.

### Role of Chairman

The Chairman, who is elected by the Board, presides over Board meetings and General Meetings of the Company. The Chairman's responsibilities include providing effective leadership and ensuring effective performance of the Board and any committees and representing the views of the board to all relevant stakeholders. The Chairman is a non-executive director.

### Board meetings

Board meetings are held in accordance with a calendar agreed to by Board members. The Chairman or any Director may convene additional meetings if required. The Chairman establishes meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

### Access to information and advice

All Directors have unrestricted access to Company's records and information. The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense to help them carry out their responsibilities. The Chairman's prior approval is required, and it may not be unreasonably withheld and, in its absence, Board approval must be sought before committing to independent professional advice.

# Corporate Governance Statement

## 31 July 2017

**Committees**

Functions that are commonly delegated to committees are performed by specific members of the Board and the CEO. In addition there are specific committees as follows:

- Audit, Risk and Corporate Governance Committee; and
- Remuneration Committee

Each of the above has a Chairman and meets when necessary.

**Risk Management**

**Approach to risk management**

Taking and managing risk are central to everyday business and to building shareholder value. The Company's approach is to identify, assess and control the risks which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links the Company's vision and values, objectives and strategies, and procedures and training.

**Risk management roles and responsibilities**

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

**Financial reporting**

The Board receives regular reports about the financial condition and operational results of the Company. The Chief Financial Officer periodically provides formal statements to the Board and is responsible for ensuring that:

- the Company's financial statements present a true and fair view of Company's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

**Internal audit**

There is no internal audit department. The assessment of the control system is undertaken by the CEO, the CFO and the Audit, Risk and Corporate Governance Committee. The Board also assists where required in the review of the Internal Control System.

**Conflict of interest**

Any Director who has a conflict of interest must notify each other Director of this conflict prior to, or at the latest, at the first Board meeting subsequent to becoming aware of the conflict. Any services provided by Directors or transactions involving entities related to Directors must be on arm's length terms and approved by the Board.

# Corporate Governance Statement
**31 July 2017**

### Code of conduct

The Company has developed a Code of Conduct which deals with, amongst other areas, conflict of interest, personal gains and gifts, confidentiality, compliance with the law and policies and the work environment.

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### Trading in Company securities

The Board has adopted a Securities Dealing Policy, which applies to all Directors and employees. The policy specifies the periods during which the purchase and sale of the securities may not occur and sets out a notification procedure concerning transactions.

### Communication with shareholders

The Board has adopted a Continuous Disclosure Policy and has implemented a procedure to ensure the prompt release to the NSX of price sensitive information. Shareholder newsletters are sent to shareholders at times deemed appropriate by the Board.

All Board members and the external auditor attend the Annual General Meeting and are available to answer questions. Notice of the AGM, and related papers, is sent to all Shareholders at least 28 days before the meeting. Resolutions are proposed on each substantially separate issue, including in relation to the Annual Accounts and the Directors' Remuneration Report.

ROTHSAY

CHARTERED ACCOUNTANTS

## HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

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

As lead auditor of Heritage Brands Ltd and Controlled Entities for the year ended 31 July 2017, 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 audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

**Rothsay Chartered Accountants**

**Frank Vrachas**

Partner

Sydney, 26 September 2017



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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 31 July 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Revenue | 3 | **54,754,664** | 49,981,920 |
| Other income | 3 | **4,397** | 9,384 |
| Changes in inventories of finished goods | 10 | **(30,791,763)** | (27,868,705) |
| Employee benefits expense | | **(8,722,620)** | (8,194,310) |
| Advertising and promotion | | **(5,019,914)** | (4,937,602) |
| Freight and cartage | | **(153,411)** | (164,069) |
| Occupancy expenses | | **(443,129)** | (436,597) |
| Depreciation and amortisation expense | | **(386,309)** | (317,004) |
| Finance costs | 4 | **(561,538)** | (649,787) |
| Other expenses | 4 | **(4,586,405)** | (2,482,003) |
| **Profit before income tax** | | **4,093,972** | 4,941,227 |
| Income tax expense | 5 | **(247,493)** | (236,895) |
| **Profit for the year** | | **3,846,479** | 4,704,332 |
| Other comprehensive income, net of income tax | | **-** | - |
| **Total comprehensive income for the year** | | **3,846,479** | 4,704,332 |
| Profit attributable to: | | | |
| Members of the parent entity | | **3,846,479** | 4,704,332 |
| | | **3,846,479** | 4,704,332 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | **3,846,479** | 4,704,332 |
| | | **3,846,479** | 4,704,332 |
| | | | |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents) | 7 | **0.21** | 0.26 |

The accompanying notes form part of these financial statements.

**Heritage Brands Ltd and Controlled Entities**
**ABN 91 081 149 635**

# Consolidated Statement of Financial Position

## As at 31 July 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | **442,988** | 167,933 |
| Trade and other receivables | 9 | **10,606,332** | 7,336,498 |
| Inventories | 10 | **12,146,917** | 12,708,467 |
| TOTAL CURRENT ASSETS | | **23,196,237** | 20,212,898 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 12 | **902,424** | 982,677 |
| Deferred tax assets | 17 | **854,001** | 227,955 |
| Investment in associate | 13 | **140,000** | - |
| Intangible assets | 14 | **17,253,136** | 17,253,136 |
| TOTAL NON-CURRENT ASSETS | | **19,149,561** | 18,463,768 |
| TOTAL ASSETS | | **42,345,798** | 38,676,666 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | **4,774,386** | 8,048,746 |
| Current tax liability | | **696,082** | 105,844 |
| Borrowings | 16 | **9,553,428** | 7,171,018 |
| Employee benefits | 18 | **527,143** | 393,142 |
| TOTAL CURRENT LIABILITIES | | **15,551,039** | 15,718,750 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefits | 18 | **250,183** | 259,819 |
| TOTAL NON-CURRENT LIABILITIES | | **250,183** | 259,819 |
| TOTAL LIABILITIES | | **15,801,222** | 15,978,569 |
| NET ASSETS | | **26,544,576** | 22,698,097 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 19 | **25,915,489** | 25,915,489 |
| Retained Earnings | | **629,087** | (3,217,392) |
| TOTAL EQUITY | | **26,544,576** | 22,698,097 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the Year Ended 31 July 2017

**2017**

| | Ordinary Shares $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **Balance at 1 August 2016** | **25,915,489** | **(3,217,392)** | **22,698,097** |
| Profit for the year | **-** | **3,846,479** | **3,846,479** |
| Other comprehensive income for the year | **-** | **-** | **-** |
| Total comprehensive income for the year | **-** | **3,846,479** | **3,846,479** |
| Transactions with owners in their capacity as owners | **-** | **-** | **-** |
| **Balance at 31 July 2017** | **25,915,489** | **629,087** | **26,544,576** |

**2016**

| | Ordinary Shares $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **Balance at 1 August 2015** | 25,915,489 | (7,921,724) | 17,993,765 |
| Profit for the year | - | 4,704,332 | 4,704,332 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 4,704,332 | 4,704,332 |
| Transactions with owners in their capacity as owners | - | - | - |
| **Balance at 31 July 2016** | 25,915,489 | (3,217,392) | 22,698,097 |

The accompanying notes form part of these financial statements.

**Heritage Brands Ltd and Controlled Entities**
**ABN 91 081 149 635**

# Consolidated Statement of Cash Flows

## For the Year Ended 31 July 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **57,644,536** | 48,812,916 |
| Payments to suppliers and employees | | **(58,437,036)** | (46,326,489) |
| Interest received | | **3,012** | 2,884 |
| Finance costs paid | | **(561,538)** | (649,787) |
| Income tax paid | | **(283,301)** | - |
| Net cash provided by (used in) operating activities | 23 | **(1,634,327)** | 1,839,524 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of plant and equipment | | **(1,827,082)** | (680,818) |
| Proceeds on disposal of plant and equipment | | **1,494,054** | - |
| Payment to acquire subsidiary, net of cash acquired | | **-** | (2,462,627) |
| Payment to acquire interest in associate | | **(140,000)** | - |
| Net cash used in investing activities | | **(473,028)** | (3,143,445) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **2,382,410** | 901,367 |
| Net cash used in financing activities | | **2,382,410** | 901,367 |
| Net increase (decrease) in cash and cash equivalents held | | **275,055** | (402,554) |
| Cash and cash equivalents at beginning of financial year | | **167,933** | 570,487 |
| Cash and cash equivalents at end of financial year | 8 | **442,998** | 167,933 |

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

This financial report covers the consolidated financial statements and notes of Heritage Brands Ltd and Controlled Entities ("the Group"). The Group is a for profit company domiciled in Australia. The financial statements were authorised for issue by the Board of Directors on 26th September 2017

Each of the entities within the Group prepares 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 separate financial statements and notes of the parent entity, Heritage Brands Ltd, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*. The parent entity financial information is disclosed in Note 2.

### 1 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group have been eliminated in full for the purpose of these consolidated financial statements.

Appropriate adjustments have been made to a controlled entity's financial statements where the accounting policies used by those entities were different from those adopted in the consolidated financial statements.

**Business combinations**

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

**1 Summary of Significant Accounting Policies (continued)**

**(b) Principles of Consolidation (continued)**

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date. This is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

**(c) Comparative Amounts**

Comparatives are consistent with prior years, unless otherwise stated.

**(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and are net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an allowance for obsolescence if necessary.

**(e) Plant and Equipment**

Classes of plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of costs of dismantling and restoring the asset, where applicable.

**Plant and equipment**

Plant and equipment are measured using the cost model.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (e) Plant and Equipment (continued)

**Depreciation**

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|---|---|
| Plant and Equipment | 7.5-40% |
| Leasehold improvements | 7.5-40% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

#### (f) Impairment of non-financial assets

At the end of each reporting period, the Group determines whether there is an evidence of an impairment indicator for assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

**1 Summary of Significant Accounting Policies (continued)**

**(g) Intangible Assets**

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

**Trademarks**

Trademarks are recognised at cost of acquisition. Trademarks have an indefinite life and are carried at cost less any impairment losses.

**Investments in associates**

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

### 1 Summary of Significant Accounting Policies (continued)

#### (h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (i) Employee benefits

The Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period is recorded as a liability. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**Defined contribution schemes**

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

#### (j) Borrowings

Secured and/or unsecured loans have been obtained. Unsecured loans are considered to be repayable at call and therefore presented as current liabilities.

#### (k) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (m) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is providing on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- taxable temporary differences arising on the initial recognition of goodwill; and
- temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

**1 Summary of Significant Accounting Policies (continued)**

**(m) Income Tax (continued)**

**Tax consolidated group**

The Company and its wholly-owned Australian controlled entities have formed a tax-consolidated group under the legislation and as a consequence these entities are taxed as a single entity. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 August 2010.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

**(n) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(o) Revenue and other income**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

**Sale of goods**

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

### 1 Summary of Significant Accounting Policies (continued)

#### (o) Revenue and other income (continued)

**Interest revenue**

Interest is recognised using the effective interest method.

#### (p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which it incurs them.

#### (q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (r) Foreign currency transactions and balances

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction. At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss

**1 Summary of Significant Accounting Policies (continued)**

**(s) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates

**Key estimates - impairment of goodwill**

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves next year's budget for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 14 to the consolidated financial statements.

**Key estimates - allowance for obsolete stock**

The allowance for obsolete stock assessment requires a degree of estimation and judgement. The level of the allowance is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. The Directors believe that an allowance for obsolete stock of $475,380 (2016: $270,834) is reasonable and that all other inventories are carried at their realisable values as at the end of the financial year.

**Key judgments - allowance for impairment of receivables**

The value of the allowance for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

**1 Summary of Significant Accounting Policies (continued)**

**(t) Deferral of expenditure**

Where goods or services have been paid for but not yet delivered the Group recognises this expenditure as a prepayment until such time as the service has been delivered in full.

**(u) Adoption of new and revised accounting standards**

The Group has adopted all standards which became effective for the first time at 31 July 2017, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

**(v) New accounting standards**

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 15 Revenue from contracts with customers<br>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15<br>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. |
| 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. |

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 2 Parent entity

The following information has been extracted from the books and records of the parent, Heritage Brands Ltd and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Heritage Brands Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

**Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

**Tax consolidation legislation**

Heritage Brands Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Consolidated Statement of Financial Position** | | |
| Assets | | |
| Current assets | **696,082** | 105,844 |
| Non-current assets | **16,835,015** | 16,835,015 |
| Total assets | **17,531,097** | 16,940,859 |
| Liabilities | | |
| Current liabilities | **696,082** | 105,844 |
| Non-current liabilities | **-** | - |
| Total liabilities | **696,082** | 105,844 |
| Net assets | **16,835,015** | 16,835,015 |
| Issued capital | **25,915,489** | 25,915,489 |
| Retained earnings | **(9,080,474)** | (9,080,474) |
| Total Equity | **16,835,015** | 16,835,015 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit or loss for the year | **-** | **-** |
| **Total comprehensive income** | **-** | **-** |

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 2 Parent entity (continued)

#### Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 July 2017 (31 July 2016: None).

#### Contractual commitments

The parent entity did not have any commitments as at 31 July 2017 (31 July 2016: None).

### 3 Revenue and Other Income

#### Revenue from continuing operations

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Sales revenue | | |
| - net sale of goods | **54,305,363** | 49,660,987 |
| - royalty income | **27,051** | 36,751 |
| **Total Sales Revenue** | **54,332,414** | 49,697,738 |
| Finance income | | |
| - interest on bank deposits | **3,012** | 2,884 |
| Other revenue | | |
| - foreign currency gains/(losses) | **419,238** | 281,298 |
| **Total Revenue** | **54,754,664** | 49,981,920 |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Other Income** | | |
| Income from shared services | **4,397** | 9,384 |

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 4 Result for the Year

**The result for the year includes the following specific expenses**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Cost of sales | **30,791,763** | 27,868,705 |
| **Finance Costs** | | |
| **Financial liabilities measured at amortised cost:** | | |
| - Other entities | **561,538** | 649,787 |
| **Total finance costs** | **561,538** | 649,787 |
| **Other expenses:** | | |
| Superannuation contributions | **712,225** | 543,557 |
| Impairment of receivables: | | |
| - Trade receivables | **1,723** | 13,156 |
| Total impairment of receivables | **1,723** | 13,156 |
| Rental expense on operating leases: | | |
| - Minimum lease payments | **443,129** | 436,597 |
| Loss on disposal of property, plant and equipment | **26,972** | 7 |
| Write-down of inventories to net realisable value | **204,545** | 36,341 |

Included in other expenses are the following items which are considered abnormal as they relate to expenses which the directors have determined relate to future investment into the Group

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Salary and wage expenses related to future product launches | **697,515** | - |
| Travel | **85,232** | - |
| Restructuring costs | **106,660** | 62,504 |
| Other | **27,273** | 20,602 |
| | **916,680** | 83,106 |

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 5 Income Tax Expense

The major components of tax expense (income) comprise:

| | 2017 $ | 2016 $ |
|---|---|---|
| Current tax | **873,539** | 105,844 |
| Deferred tax | **(96,844)** | 131,051 |
| Recoupment of prior year tax losses | **(529,202)** | - |
| **Total income tax expense** | **247,493** | 236,895 |

Reconciliation of income tax to accounting profit:

| | 2017 $ | 2016 $ |
|---|---|---|
| Profit | **4,093,972** | 4,941,227 |
| Tax | **30%** | 30% |
| | **1,228,192** | 1,482,368 |
| Add: | | |
| Tax effect of: | | |
| - non-deductible depreciation and amortisation | **1,887** | (538) |
| - other non-allowable items | **1,377** | 123,562 |
| | **3,264** | 123,024 |
| Less: | | |
| Tax effect of: | | |
| - recoupment of prior year tax losses previously not brought to account | **(983,963)** | (1,368,497) |
| Income tax expense | **247,493** | 236,895 |

### 6 Remuneration of Auditors

| | 2017 $ | 2016 $ |
|---|---|---|
| Remuneration of the auditor for: | | |
| - auditing or reviewing the financial report | **47,939** | 44,762 |
| - taxation services provided by related practice of auditor | **5,350** | 8,726 |
| | **53,289** | 53,488 |

### 7 Earnings per Share

Reconciliation of earnings to profit or loss from continuing operations

| | 2017 $ | 2016 $ |
|---|---|---|
| Profit for the year | **3,846,479** | 4,704,332 |
| Earnings used to calculate basic EPS from continuing operations | **3,846,479** | 4,704,332 |
| **Earnings used in the calculation of dilutive EPS from continuing operations** | **3,846,479** | 4,704,332 |

### 7 Earnings per Share (continued)

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | 2017 No. | 2016 No. |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **1,801,111,087** | 1,801,111,087 |
| **Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS** | **1,801,111,087** | 1,801,111,087 |

### 8 Cash and cash equivalents

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank and in hand | **442,988** | 167,933 |
| | **442,988** | 167,933 |

### 9 Trade and other receivables

| | 2017 $ | 2016 $ |
|---|---|---|
| CURRENT | | |
| Trade receivables | **9,632,723** | 7,514,995 |
| Allowance for impairment | **(2,617)** | (6,562) |
| Allowance for rebates, incentives and discounts | **(1,341,613)** | (1,296,868) |
| | **8,288,493** | 6,211,565 |
| Prepayments | **2,312,238** | 1,118,733 |
| Other receivables | **5,601** | 6,200 |
| **Total current trade and other receivables** | **10,606,332** | 7,336,498 |

#### (a) Impairment of receivables

Reconciliation of changes in the allowance for impairment of receivables is as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance at beginning of the year | **6,562** | 5,403 |
| Additional impairment loss recognised | **1,723** | 13,156 |
| Provision used | **(5,668)** | (11,997) |
| **Balance at end of the year** | **2,617** | 6,562 |

## 9 Trade and other receivables (continued)

### Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount<br>$ | Past due and impaired<br>$ | Not impaired<br>$ |
|---|---|---|---|
| **2017** | | | |
| Trade and term receivables | 9,632,723 | 2,617 | 9,630,106 |
| Other receivables | 5,601 | - | 5,601 |
| Total | 9,638,324 | 2,617 | 9,635,707 |
| **2016** | | | |
| Trade and term receivables | 7,514,995 | 6,562 | 7,508,433 |
| Other receivables | 6,200 | - | 6,200 |
| Total | 7,521,195 | 6,562 | 7,514,633 |

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

### (b) Collateral held as security

A registered general security agreement over trade receivables has been provided for certain debt. Refer to Note 16(a) for further details.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 10 Inventories

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| CURRENT | | |
| At net realisable value: | | |
| Finished goods | **11,807,076** | 12,249,383 |
| Goods in transit | **815,221** | 729,918 |
| Allowance for slow moving/ obsolete stock | **(475,380)** | (270,834) |
| | **12,146,917** | 12,708,467 |

Inventories recognised as expense during the year ended 31 July 2017 and included in cost of sales amounted to $30,791,763 (2016: $27,868,705).

### 11 Controlled Entities

#### (a) Controlled entities

| | Country of Incorporation | Percentage Owned (%)* 2017 | Percentage Owned (%)* 2016 |
|---|---|---|---|
| **Subsidiaries of Heritage Brands Ltd:** | | | |
| Heritage Brands (Australia) Pty Ltd | Australia | **100** | 100 |
| Innoxa Group Pty Ltd | Australia | **100** | 100 |
| Innoxa Holdings Pty Ltd | Australia | **100** | 100 |
| Innoxa Marks Pty Ltd | Australia | **100** | 100 |
| Incolabs Pty Ltd | Australia | **100** | 100 |
| Heritage Le Tan Pty Ltd | Australia | **100** | 100 |

* Percentage of voting power is in proportion to ownership

### 12 Plant and equipment

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Plant and equipment | | |
| At cost | **4,189,732** | 5,276,486 |
| Accumulated depreciation | **(3,295,190)** | (4,303,395) |
| Total plant and equipment | **894,542** | 973,091 |
| Leasehold Improvements | | |
| At cost | **70,103** | 63,527 |
| Accumulated depreciation | **(62,221)** | (53,941) |
| Total leasehold improvements | **7,882** | 9,586 |
| **Total plant and equipment** | **902,424** | 982,677 |

## 12 Plant and equipment (continued)

### (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| Consolidated | Plant and Equipment $ | Leasehold Improvements $ | Total $ |
|---|---|---|---|
| **Year ended 31 July 2017** | | | |
| Balance at the beginning of year | **973,091** | **9,586** | **982,677** |
| Additions | **1,820,506** | **6,576** | **1,827,082** |
| Disposals | **(1,521,026)** | **-** | **(1,521,026)** |
| Depreciation expense | **(378,029)** | **(8,280)** | **(386,309)** |
| **Balance at the end of the year** | **894,542** | **7,882** | **902,424** |

| Consolidated | Plant and Equipment $ | Leasehold Improvements $ | Total $ |
|---|---|---|---|
| **Year ended 31 July 2016** | | | |
| Balance at the beginning of year | 614,947 | 5,370 | 620,317 |
| Additions | 672,360 | 8,458 | 680,818 |
| Disposals | (1,454) | - | (1,454) |
| Depreciation expense | (312,762) | (4,242) | (317,004) |
| **Balance at the end of the year** | 973,091 | 9,586 | 982,677 |

## 13 Investment in Associate

| | 2017 $ | 2016 $ |
|---|---|---|
| Investment in Heritage Luma Pty Limited | **140,000** | - |
| **Total investment in associate** | **140,000** | - |

During the year 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 July 2017 there has been no significant operations in Heritage Luma Pty Limited.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 14 Intangible Assets

| | 2017 $ | 2016 $ |
|---|---|---|
| **Goodwill** | | |
| Cost | **12,596,828** | 12,596,828 |
| **Trademarks** | | |
| Cost | **4,656,308** | 4,656,308 |
| **Total Intangibles** | **17,253,136** | 17,253,136 |

**(a) Movements in carrying amounts of intangible assets**

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

| | Goodwill $ | Trademarks $ | Total $ |
|---|---|---|---|
| **Year ended 31 July 2017** | | | |
| Balance at the beginning of year | 12,596,828 | 4,656,308 | 17,253,136 |
| Additions | - | - | - |
| **Balance at the end of year** | 12,596,828 | 4,656,308 | 17,253,136 |
| **Year ended 31 July 2016** | | | |
| Balance at the beginning of year | 12,596,828 | 4,656,308 | 17,253,136 |
| Additions | - | - | - |
| **Balance at the end of year** | 12,596,828 | 4,656,308 | 17,253,136 |

Goodwill is not amortised. Trademarks have indefinite useful lives and are not amortised while they continue to exploit new channels without significant cost.

**Impairment disclosures**

For the purpose of impairment testing, goodwill and trademarks are allocated to cash-generating units which are based on the Group's reportable segments. The Group has determined that it has one CGU in consumer products. The aggregate carrying amount of goodwill and trademark tested for impairment in this CGU is:

| | 2017 $ | 2016 $ |
|---|---|---|
| Consumer Products | **17,253,136** | 17,253,136 |
| Total | **17,253,136** | 17,253,136 |

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period, using an estimated growth rate (which does not exceed the long-term growth rate for the industry) on the next year's financial budget, and a terminal value multiple. The cash flows are discounted using the yield of a 5-year government bond at the beginning of the budget period adjusted for the specific risks relating to the asset.

## 14 Intangible Assets (continued)

The following assumptions were used in the value-in-use calculations:

| | Growth Rate | | Discount Rate | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Consumer Products | **15%** | 15% | **20%** | 20% |

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate.

### Sensitivity to change of assumptions

If the next year's financial budget used in the value-in-use calculation had been 10% lower than management's estimates at 31 July 2017, the Group would have a recoverable amount in excess of $ 6,221,000 against the carrying amount of intangible assets and plant and equipment.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (21% instead of 20%), the Group would have a recoverable amount in excess of $ 8,067,000 against the carrying amount of intangible assets and plant and equipment. In the financial year 31 July 2017, there were no reasonably possible changes in any of the key assumptions that would have caused the carrying amount of the CGU to exceed its recoverable amount.

If the growth rate were to be reduced to 0% and the discount rate increased to 29%, the calculated amount would approximate the carrying amount of intangible assets and plant and equipment.

## 15 Trade and other payables

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities | | |
| Trade payables | **3,023,635** | 4,989,766 |
| Employee benefits | **234,525** | 626,660 |
| Sundry payables and accrued expenses | **1,516,226** | 2,432,320 |
| | **4,774,386** | 8,048,746 |

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

### 16 Borrowings

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities: | | |
| Insurance refinancing | **131,881** | 123,407 |
| Secured liabilities: | | |
| Bank Facility - Bank of Melbourne | **9,421,547** | 7,047,611 |
| **Total borrowings** | **9,553,428** | 7,171,018 |

**(a) Bank Facility**

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 of 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.

As at 31 July 2017, the Consolidated Group has a credit facility of $15,000,000 of which $5,578,453 is unused.

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 30%;
- A fixed charge coverage ratio of no less than 3.50 times; and
- A stock turn ratio of no less than 2.40 times.

The Group has complied with these covenants throughout the reporting period

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 17 Tax

**Recognised deferred tax assets and liabilities**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Deferred tax assets | **854,001** | 227,955 |

| | Opening Balance<br>$ | Charged to Income<br>$ | Closing Balance<br>$ |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Accruals and other timing differences | 164,292 | 63,663 | 227,955 |
| Deferred tax assets attributable to tax losses | 194,714 | (194,714) | - |
| **Balance at 31 July 2016** | 359,006 | (131,051) | 227,955 |
| Accruals and other timing differences | **227,955** | **96,844** | **324,799** |
| Deferred tax assets attributable to tax losses | **-** | **529,202** | **529,202** |
| **Balance at 31 July 2017** | **227,955** | **626,046** | **854,001** |

**(a) Unrecognised deferred tax assets**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Tax losses | **-** | 3,121,707 |

(2016: Deferred tax assets had not been recognised in respect of these items because it was not deemed probable that future taxable profit will be available against which the Group can utilise the benefits therein.)

### 18 Employee Benefits

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| CURRENT | | |
| Long service leave | **190,134** | 128,775 |
| Annual leave | **337,009** | 264,367 |
| | **527,143** | 393,142 |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| NON-CURRENT | | |
| Long service leave | **250,183** | 259,819 |
| | **250,183** | 259,819 |

## 18 Employee Benefits (continued)

### Long-term Employee Benefits

A liability has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

## 19 Issued Capital

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| 1,801,111,087 (2016: 1,801,111,087) Ordinary shares | **25,915,489** | 25,915,489 |
| **Total** | **25,915,489** | 25,915,489 |

### (a) Movements in ordinary shares

| | 2017<br>No. | 2016<br>No. |
|---|---|---|
| Opening balance | **1,801,111,807** | 1,801,111,087 |
| Movement during the year | **-** | - |
| Closing balance at 31 July 2017 | **1,801,111,807** | 1,801,111,087 |

(i) The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, 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 Group does not have authorised capital or par value in respect of its shares.

### (b) Capital Management

Capital of the Group is managed in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the statement of financial position plus net debt.

### 19 Issued Capital (continued)

#### (b) Capital Management (continued)

| | 2017 $ | 2016 $ |
|---|---|---|
| Total borrowings | **9,553,428** | 7,171,018 |
| Less cash and cash equivalents | **(442,988)** | (167,933) |
| Net debt | **9,110,440** | 7,003,085 |
| Total equity | **26,544,576** | 22,698,097 |
| Total capital | **35,655,016** | 29,701,182 |
| Gearing ratio | **26%** | 24% |

### 20 Capital and Leasing Commitments

#### (a) Operating Leases

| | 2017 $ | 2016 $ |
|---|---|---|
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | **1,335,844** | 488,942 |
| - between one year and five years | **2,225,110** | 1,345,144 |
| | **3,560,954** | 1,834,086 |

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 at the current rate for 5 years.

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

### 21 Contingencies

The Group did not have any contingent liabilities or contingent assets at 31 July 2017 (31 July 2016: None).

### 22 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 Group 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 Group as a whole. There have been no changes in the operating segments during the year.

## 22 Operating Segments (continued)

### Basis of accounting for purposes of reporting by operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors which makes strategic decisions.

### (a) Geographical information

Revenue attributable to external customers is disclosed below are mainly generated in Australia. All non-current assets are located in Australia.

### (b) Major customers

Revenues of approximately $50,936,421 (2016: $47,621,539) are derived from 10 external customers. These revenues represent 73% of total external revenue (2016: 75%).

## 23 Cash Flow Information

### Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Profit for the year | **3,846,479** | 4,704,332 |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - depreciation | **386,309** | 317,004 |
| - write-off of obsolete stock | **204,546** | 36,341 |
| - net loss on disposal of property, plant and equipment | **26,972** | 7 |
| - impairment of receivables | **1,723** | 13,156 |
| - other | **-** | (11,709) |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| - (increase)/decrease in trade and other receivables | **(2,078,052)** | (1,175,503) |
| - (increase)/decrease in prepayments | **(292,153)** | (594,696) |
| - (increase)/decrease in inventories | **(544,348)** | (4,887,213) |
| - increase/(decrease) in trade and other payables | **(3,274,360)** | 3,110,975 |
| - increase/(decrease) in employee benefits | **124,365** | 89,935 |
| - (increase)/decrease in income taxes | **(35,808)** | 236,895 |
| Cash flow from (used in) operations | **(1,634,327)** | 1,839,524 |

# Notes to the Consolidated Financial Statements

**For the Year Ended 31 July 2017**

## 24 Related Parties

### (a) The Group's main related parties are as follows:

*(i) Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to the remuneration report included in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

### (b) 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:

| | 2017 | 2016 |
|---|---|---|
| **KMP related parties** | | |
| Fees received/receivable from Brands RMJ, a director/shareholder related entity for shared services | - | 2,661 |
| | - | 2,661 |

### (c) Key management personnel disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Short-term employee benefits | **842,587** | 1,051,258 |
| Long-term benefits | **15,504** | 11,077 |
| Post-employment benefits | **67,239** | 90,061 |
| | **925,330** | 1,152,396 |

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 July 2017.

## 25 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments. The Group only enters into defensive Financial Instruments

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks to which the Group is exposed to are described below:

**Specific risks**

- Market risk
- Currency risk, cash flow interest rate risk and price risk
- Credit risk
- Liquidity risk

**Financial instruments used**

The principal categories of financial instrument used by the Group are:

- Trade receivables;
- Cash at bank;
- Trade and other payables; and
- Borrowings.

**Objectives, policies and processes**

Risk management is carried out by the Group's senior management under the delegated power from the Board of Directors. The Finance Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group, these policies and procedures are then approved by the Audit, Risk and Corporate Governance Committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Audit, Risk and Corporate Governance Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

**25 Financial Risk Management (continued)**

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**Liquidity risk**

Liquidity risk arises from the Group’s management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

### 25 Financial Risk Management (continued)

The Group's financial liabilities have contractual maturities which are summarised below:

| | Within 1 year | | 1 to 5 years | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | **4,774,386** | 8,048,746 | **-** | - | **4,774,386** | 8,048,746 |
| Borrowings-principal | **9,553,428** | 7,171,018 | **-** | - | **9,553,428** | 7,171,018 |
| **Total** | **14,327,814** | 15,219,674 | **-** | - | **14,327,814** | 15,219,674 |

**Market Risk**

(i) Cash flow interest rate sensitivity

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

At 31 July 2017, if interest rates had increased by 100 basis points or decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the period would have been $85,406 higher/$85,406 lower (2016 changes of +100 bps/-100 bps: $74,520 higher/$74,520 lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Other components of equity would have been $85,406 lower/$85,406 higher (2016 – $74,520 lower/$74,520 higher) mainly as a result of an increase/decrease in the fair value of borrowings.

**Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment allowance of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

# Notes to the Consolidated Financial Statements

## For the Year Ended 31 July 2017

### 26 Franking account

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| The franking credits available for subsequent financial years at a tax rate of 30% | **4,441,350** | 3,567,810 |

The above available balance is based on the dividend franking account at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends

### 27 Events Occurring After the Reporting Date

The financial report was authorised for issue on 26th September 2017 by the board of directors.

No matters or circumstances have arisen since the end of the financial 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.

### 28 Company Details

The registered office of 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 for the year ended 31 July 2017 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

    a. the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the Group 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.

D Fairfull

Director ..................................................................

Dated 26th September 2017

## HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

## INDEPENDENT AUDITOR'S REPORT

To the members of Heritage Brands Ltd:

### Opinion

We have audited the financial report of Heritage Brands Ltd (the "Company") and its controlled entities (the "Group"), which comprises the statement of financial position as at 31 July 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 July 2017 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Recoverability of Intangible Assets** | **How our Audit Addressed the Key Audit Matter** |
|---|---|
| At 31 July 2017 the Group has intangible assets of $17,253,135.<br><br>The recoverability of intangibles is assessed for recoverability by the directors at least annually or more frequently if events or changes in circumstances indicate that the asset may have suffered an impairment.<br><br>Recoverability is assessed through a discounted cash flow analysis, whereby future cash flows are estimated and a discount is applied in order to arrive at a present value of the future cash flows. The value derived is then compared with the recorded value of the intangible assets and if lower an impairment charge will be recorded.<br><br>We focussed on this area given the significant judgement involved in assessing the recoverable amount of these assets. | We checked the calculations and assessed the reasonableness of inputs into the directors' discounted cash flow analysis.<br><br>We also performed sensitivity checks of the discounted cash flow analysis.<br><br>We considered the appropriateness of the recoverability assessment and considered whether it was in line with Australian Accounting Standards and generally accepted accounting principles.<br><br>We assessed whether the disclosures included in the financial report met the requirements of Australian Accounting Standards. |
| **Classification of Lease** | **How our Audit Addressed the Key Audit Matter** |
| The Group entered into a lease to acquire retail point of sale displays for its products with future payments of $2,011,762 at the inception of the lease.<br><br>The directors reviewed the terms and conditions of the lease and considered it to be an operating lease.<br><br>We focussed on this area given the significant judgement involved in assessing the classification of the lease as an operating lease. | We considered the directors' assessment and considered whether it was in line with Australian Accounting Standards and generally accepted accounting principles.<br><br>We assessed whether the disclosures included in the financial report met the requirements of Australian Accounting Standards. |

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibility of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages XX to XX of the Directors' Report for the year ended 31 July 2017. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion on the Remuneration Report*

In our opinion, the Remuneration Report of the Company, for the year ended 31 July 2017, complies with section 300A of the *Corporations Act 2001*.

**Rothsay Chartered Accountants**

**Frank Vrachas**
Partner

Sydney, 26 September 2017

# Additional Information for Listed Public Companies

## 31 July 2017

### NSX Additional Information

Additional information required by the NSX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31st July 2017.

### Substantial shareholders

The number of substantial shareholders and their associates are set out below:

### Voting rights

*Ordinary Shares*

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Distribution of equity security holders

| | Ordinary shares | |
|---|---|---|
| **Holding** | **Number of shareholders** | **Number of shares** |
| 1-1,000 | 0 | 0 |
| 1,001-5,000 | 4 | 12,614 |
| 5,001-10,000 | 66 | 588,986 |
| 10,001-100,000 | 116 | 5,128,482 |
| 100,001-9,999,999,999 | 82 | 1,795,381,005 |
| **Totals** | **268** | **1,801,111,087** |

There were 84 security holders of less than a marketable parcel ($500) of ordinary shares at 31 July 2017.

# Additional Information for Listed Public Companies

**31 July 2017**

**Twenty largest shareholders**

| | Ordinary shares | |
|---|---|---|
| | **Number held** | **% of issued shares** |
| SOULS PRIVATE EQUITY LIMITED | 452,470,639 | 25.12% |
| RAWLO INTERNATIONAL PTY LIMITED <THE MCCARTNEY FAMILY A/C> * | 341,797,912 | 18.98% |
| MAXIM KROK * | 160,174,133 | 8.89% |
| CVC LIMITED | 135,163,381 | 7.50% |
| AKOCA PTY LTD * | 120,174,134 | 6.67% |
| RAWLO INTERNATIONAL PTY LTD <THE MCCARTNEY FAMILY S/F A/C> * | 110,672,727 | 6.14% |
| MR STEPHEN MASON * | 94,046,177 | 5.22% |
| MAXIMIZE EQUITY PTY LTD * | 91,431,644 | 5.08% |
| MR STEPHEN LESLIE MASON * | 69,848,883 | 3.88% |
| S GOODEY PTY LTD | 39,487,967 | 2.19% |
| PTJ HOLDINGS PTY LIMITED | 31,698,634 | 1.76% |
| JKL DEVELOPMENTS PTY LIMITED | 31,698,634 | 1.76% |
| MR STEVEN ANDREW O'NEILL | 18,299,034 | 1.02% |
| MR CONSTANTINOS GENDIS * | 13,333,333 | 0.74% |
| EGP FUND NO 1 PTY LTD | 11,750,000 | 0.65% |
| KISTANI HOLDINGS PTY LIMITED * | 11,369,060 | 0.63% |
| MR CHRISTOPHER MC GIBBON & MRS ELIZABETH MC GIBBON | 8,003,333 | 0.44% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 7,560,246 | 0.42% |
| MR ALEXANDER DAMIEN BEARD & MRS MARIE PASCALE BEARD | 7,000,000 | 0.39% |
| MR ELLIOTT KAPLAN & MRS BRENDA KAPLAN <KAPLAN FAMILY SUPER FUND A/C> | 7,000,000 | 0.39% |
| | 1,762,979,871 | 97.88% |
| Total of Securities | 1,801,111,087 | |

* Signifies a Director controlled entity

# Additional Information for Listed Public Companies

**31 July 2017**

### Company secretary

The name of the company secretary is Christopher William McGibbon.

### Principal address

The address of the principal registered office in Australia is 30 Bando Road, Springvale, VIC 3171. Telephone 03 9574 2100.

### Registers of securities

Registers of securities are held at the following addresses:

| | |
|---|---|
| NSW | Boardroom Pty Ltd, Level 7, 207 Kent Street, Sydney, NSW 2000 |
| Victoria | 30 Bando Road, Springvale, VIC 3171. |

### Securities exchange

The Company is listed on the NSX. Quotation has been granted for all the ordinary shares of the Company on all member exchanges of NSX.

### Unquoted securities

There are no unquoted securities.