

Heritage Brands Ltd and Controlled Entities

ACN 081 149 635

Consolidated Financial Statements

For the Half-Year Ended 31 January 2019

Contents

For the Half-Year Ended 31 January 2019

	Page
Financial Statements	
Chairman's Report	1
Directors' Report	2
Auditor's Independence Declaration	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	18
Independent Auditor's Review Report	19

Chairman's Report
For the Half-Year Ended 31 January 2019

Dear Shareholders,

The Board of Directors and the Management team set out below their report for the half-year ended 31st January 2019, with EBITDA down some 33% to \$2,000,650:

	2019		2018		%
Net Sales Revenue after Trading Terms	33,008,730		30,563,437		8%
EAT	478,497		1,447,924		-67%
Taxation	198,223		611,152		
EBT	676,720		2,059,076		-67%
Finance Charges	381,509		273,956		
Depreciation and stand rental	942,421		652,479		
EBITDA	2,000,650		2,985,511		-33%
Shares	1,801,111,087		1,801,111,087		
EPS	0.03		0.08		

The above results are disappointing when compared to the corresponding period in 2018, but reflect the current difficult retail trading environment and increase in promotional frequency and depth of discounting in Australia. At the end of November 2018 our management accounts showed that we were ahead of last year's comparative sales but unfortunately the Christmas Trading was poor.

The first half results have occurred during a period that has seen a significant down turn in the Australian retail landscape. Nevertheless the business continues to invest in people and resources to develop new sales channels. In particular Ecommerce and International expansion, although this has inflated the overhead line of the Groups Profit and Loss. The business has started to post positive growth especially from the online channel. Management remains confident these initiatives will continue to provide positive returns on investment in the second half of this financial year to counter balance the increasing cost of doing business in Australia and the tough retail environment.

We have in recent months aggressively expanded our push into International Markets. In this regard our move into Asia has increased sales significantly in this region. At the same time our thrust into the UK has resulted in the "Australis Brand" being listed by a major National Chain of Drugstores. Our ongoing success with our 2 pure essential Oil brands has meant the company will now venture to enter into the US\$5 billion North American Pure essential Oil market in the second half of this financial year.

Last Financial year the Group acquired the Cedel Brand and this acquisition is in line with the company's strategic intent of acquiring brands that are ethical, have an Australian provenance narrative, are iconic and have potential for international expansion. Cedel now has an established online presence into the China market via brand stores on T-Mal and other major platforms with toothpaste being the lead product.

While your Board and Management team are cautious regarding the volatility being witnessed in the Australian Retail market place, we are still forecasting an improved EBITDA for 2018/19 financial year subject of course to no unforeseen circumstances.

David Fairfull
 Chairman
 21 March 2019

Directors' Report

For the Half-Year Ended 31 January 2019

The directors submit the financial report of the Group for the half-year ended 31 January 2019.

1. General information

Information on directors

The names of each person who has been a director during the half-year and to the date of this report are:

FAIRFULL David John	Non-executive Chairman
KROK Maxim	Non-executive Director
McCARTNEY William Thomson Venables	Non-executive Director
MASON Stephen Leslie	Non-executive Director
GENDIS Constantinos	Managing Director

Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial half-year.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial half-year were the selling and distribution of branded cosmetics, toiletries, skincare, nail care products, sun protection, artificial tanning and aromatherapy oils.

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

2. Operating results and review of operations for the year

Operating results

The profit after Income Tax for the Half-Year was \$478,497 compared to \$1,447,924 last year. The decrease was largely due to the increased cost of goods and product mix which has delivered a 2% decrease in Gross Profit for the half. In addition to this, the Group has continued to invest in its new Brands and markets which have not yet yielded a full return on the Investment.

Review of operations

Net Revenue for the Half-Year increased by 8% from \$30,823,961 to \$33,228,363 mainly due to the acquisition of the Cedel brand on the 1st February 2018.

While net sales revenue has increased by 8%, the cost of doing business has increased as the Group gears itself up to derisk the traditional business, in particular via E-commerce and Export. The traditional Pharmacy business has performed well but in other outlets deep discounting by all the major retailers has eroded margins and hence the bottom line.

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Directors' Report

For the Half-Year Ended 31 January 2019

3. Financial review

Financial position

The net assets of the Group have decreased by \$422,059 from 31 July 2018 to \$28,730,264 at 31 January 2019. This decrease is due to the profit after tax of \$478,497 being offset by the maiden dividend of \$900,556.

4. Other items

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The Group is geared up to exploit the Ecommerce and Export markets in the future, and this investment is reflected in the increased operating costs over the past year.

Environmental matters

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

Dividends paid or recommended

A fully franked dividend of 0.05 cents per share, totalling \$900,556, was declared on 18 September 2018 and paid on 14 December 2018.

Company secretary

The following person held the position of Company secretary at the end of the financial half-year:

MCGIBBON, Christopher William CA (SA) has been the company secretary since 9 February 2009.

Directors' Report

For the Half-Year Ended 31 January 2019

Options

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

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

During the half-year ended 31 January 2019, no ordinary shares of Heritage Brands Ltd were issued on the exercise of options granted. No further shares have been issued since year end on the exercise of options granted.

Indemnification and insurance of officers and auditors

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

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

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

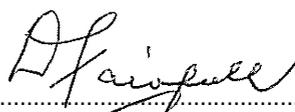
Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 January 2019 has been received and can be found on page 5 of the financial report.

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

Director:

FAIRFULL David John

Dated 21 March 2019

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

To the directors of Heritage Brands Ltd,

As lead auditor for the review of Heritage Brands Ltd for the half-year ended 31 January 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Frank Vrachas

Partner

Rothsay Chartered Accountants

Sydney, 21 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 January 2019

		31 January 2019	31 January 2018
	Note	\$	\$
Revenue	3	33,228,363	30,823,961
Other income	3	593	16,715
Cost of goods sold		(19,285,269)	(17,253,282)
Employee benefits expense		(5,646,865)	(5,314,337)
Advertising and promotion		(2,944,504)	(2,469,508)
Depreciation and amortisation expense		(211,844)	(213,879)
Freight and cartage		(134,693)	(139,851)
Occupancy expenses		(210,950)	(221,564)
Stand rentals		(730,577)	(438,600)
Finance costs	4	(381,509)	(273,956)
Other expenses	4	(3,006,025)	(2,456,623)
Profit before income tax		676,720	2,059,076
Income tax expense	5	(198,223)	(611,152)
Profit for the period		478,497	1,447,924
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		478,497	1,447,924
Profit attributable to:			
Members of the parent entity		478,497	1,447,924
Total comprehensive income attributable to:			
Members of the parent entity		478,497	1,447,924

Earnings per share

From continuing operations:

Basic earnings per share (cents)	0.03	0.08
Diluted earnings per share (cents)	0.03	0.08

Consolidated Statement of Financial Position
As At 31 January 2019

		31 January 2019	31 July 2018
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	421,312	287,557
Trade and other receivables	8	10,942,734	14,129,857
Inventories	9	15,384,131	13,455,970
Current tax receivable	12	402,886	17,447
TOTAL CURRENT ASSETS		27,151,063	27,890,831
NON-CURRENT ASSETS			
Property, plant and equipment	10	815,485	841,919
Deferred tax assets	12	446,964	516,006
Investment in associate	15	140,000	140,000
Intangible assets	11	19,253,136	19,253,136
TOTAL NON-CURRENT ASSETS		20,655,585	20,751,061
TOTAL ASSETS		47,806,648	48,641,892
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	6,856,181	7,514,178
Borrowings	14	11,334,719	11,025,556
Employee entitlements		600,807	688,889
TOTAL CURRENT LIABILITIES		18,791,707	19,228,623
NON-CURRENT LIABILITIES			
Employee entitlements		284,677	260,946
TOTAL NON-CURRENT LIABILITIES		284,677	260,946
TOTAL LIABILITIES		19,076,384	19,489,569
NET ASSETS		28,730,264	29,152,323
EQUITY			
Issued capital	16	25,915,489	25,915,489
Retained earnings		2,814,775	3,236,834
TOTAL EQUITY		28,730,264	29,152,323

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 January 2019

31 January 2019

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 August 2018	25,915,489	3,236,834	29,152,323
Profit for the period	-	478,497	478,497
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	478,497	478,497
Transactions with owners in their capacity as owners	-	-	-
Dividends provided for or paid	-	(900,556)	(900,556)
Balance at 31 January 2019	25,915,489	2,814,775	28,730,264

31 January 2018

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

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 January 2019

	31 January 2019	31 January 2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	35,687,642	30,585,512
Payments to suppliers and employees	(33,882,887)	(27,051,548)
Interest received	3 1,934	1,911
Finance costs	4 (381,509)	(273,956)
Income tax paid	(514,620)	(1,029,415)
Net cash provided by operating activities	<u>910,560</u>	<u>2,232,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of plant and equipment	-	1,200
Purchase of plant and equipment	(185,412)	(321,911)
Net cash used in investing activities	<u>(185,412)</u>	<u>(320,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from borrowings	423,793	57,793
Repayment of insurance refinancing loan	(114,630)	(87,921)
Dividend paid	(900,556)	-
Net cash used in financing activities	<u>(591,393)</u>	<u>(30,128)</u>
Net increase in cash and cash equivalents held	133,755	1,881,665
Cash and cash equivalents at beginning of period	287,557	442,988
Cash and cash equivalents at end of the period	7 <u>421,312</u>	<u>2,324,653</u>

Notes to the Financial Statements

For the Half-Year Ended 31 January 2019

1 Basis of Preparation

The financial report covers Heritage Brands Ltd and its controlled entities ('the Group').

This consolidated interim financial report for the half-year reporting period ended 31 January 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. This consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 July 2018, together with any public announcements made during the half-year.

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparatives are consistent with prior years, unless otherwise stated.

2 Changes in Accounting Policies

Financial Instruments – Adoption of AASB 9

The Group has adopted AASB 9 Financial Instruments for the first time in the current year.

As part of the adoption of AASB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively.

Classification of financial assets

The financial assets of the Group have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost; or
- Fair value through profit or loss (FVTPL).

Notes to the Financial Statements

For the Half-Year Ended 31 January 2019

2 Changes in Accounting Policies (continued)

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost and contract assets. This has resulted in the earlier recognition of credit losses (bad debt impairment).

There has not been any material impact to the financial report on the adoption of this standard.

Revenue from Contracts with Customers – Adoption of AASB 15

The Group has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year.

There has not been any material impact to the financial report on the adoption of this standard.

New Accounting Standards and Interpretations

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

Standard Name	AASB 16 Leases
Effective date	1 August 2019
Requirements and Impact	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.

The majority of current leases of the Group expire prior to, or within 12 months, of the application of this standard. As such it is not practical to perform an assessment of the impact of AASB 16 on the leases currently in place.

The Group has made an assessment of the increase (decrease) on the reported amounts assuming the Group renegotiates all of its leases on 1 August 2019 with substantially similar terms to those currently in place.

This assessment which summarises the impacts on the key financial reporting categories is summarised below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Profit before income tax	(107,592)	(33,940)	77,233	19,900	44,399
Right of use asset	4,511,834	2,640,823	769,813	384,907	-
Lease liability	4,619,426	2,782,355	834,112	429,306	-

Critical accounting estimates and judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 31 July 2018 annual financial report.

Notes to the Financial Statements
For the Half-Year Ended 31 January 2019

3 Revenue and Other Income

	31 January 2019 \$	31 January 2018 \$
Sales revenue		
- Gross sales	42,321,449	39,538,527
- Trading terms	(9,312,719)	(8,975,090)
Net Sales	<u>33,008,730</u>	<u>30,563,437</u>
Other revenue		
- Bank deposit interest	1,934	1,911
- Foreign exchange gains	200,316	246,254
- Other revenue	17,383	12,359
Total Revenue	<u><u>33,228,363</u></u>	<u><u>30,823,961</u></u>

Other Income		
- Sundry income	593	16,715
	<u>593</u>	<u>16,715</u>

4 Finance Costs and Other Expenses

Interest expense - external	381,509	273,956
Finance Costs	<u>381,509</u>	<u>273,956</u>

Sales Brokers' fees	1,235,305	1,067,734
Computer – digital marketing	207,658	91,044
Computer – web development	96,194	25,980
Computer – social media	109,378	55,041
Restructuring costs	128,364	-
Subscriptions	44,612	14,541
Other	1,184,514	1,202,283
Other expenses	<u>3,006,025</u>	<u>2,456,623</u>

5 Income Tax Expense

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

Current tax	129,181	405,141
Deferred tax	69,042	206,011
Total income tax expense	<u>198,223</u>	<u>611,152</u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2019

5 Income Tax Expense (continued)

(b) Reconciliation of income tax to accounting profit:

	31 January 2019	31 January 2018
	\$	\$
Profit	676,720	2,059,076
Tax	30%	30%
	203,016	617,723
Tax effect of:		
- other non-allowable (non-assessable) items	(4,793)	(6,571)
Total income tax expense	198,223	611,152

6 Operating Segments

Identification of reportable segments

The Group operates in Australia in only one operational segment; therefore, for the half-year ended 31 January 2019, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

7 Cash and Cash Equivalents

	31 January 2019	31 July 2018
	\$	\$
Cash at bank and in hand	421,312	287,557
	421,312	287,557

8 Trade and other receivables

Current		
Trade receivables	9,865,955	12,326,575
Allowance for impairment	(38,643)	(23,643)
Allowance for rebates, incentives and discounts	(2,862,439)	(972,054)
	6,964,873	11,330,878
Loan to Heritage Luma Pty Limited	140,000	140,000
Prepayments	3,837,861	2,658,979
	10,942,734	14,129,857

9 Inventories

Current		
At net realisable value:		
Finished goods	15,341,879	13,486,648
Allowance for slow moving/ obsolete stock	(243,055)	(450,000)
Goods in transit	285,307	419,322
	15,384,131	13,455,970

Notes to the Financial Statements
For the Half-Year Ended 31 January 2019

10 Plant and equipment

	31 January 2019 \$	31 July 2018 \$
Plant and equipment		
At cost	4,762,292	4,578,918
Accumulated depreciation	<u>(3,950,156)</u>	<u>(3,741,633)</u>
Total plant and equipment	<u>812,136</u>	<u>837,285</u>
Leasehold improvements		
At cost	78,282	76,248
Accumulated depreciation	<u>(74,933)</u>	<u>(71,614)</u>
Total leasehold improvements	<u>3,349</u>	<u>4,634</u>
	<u><u>815,485</u></u>	<u><u>841,919</u></u>

11 Intangible Assets

Goodwill		
Cost	12,596,828	12,596,828
Trademarks		
Cost	<u>6,656,308</u>	<u>6,656,308</u>
Total Intangibles	<u><u>19,253,136</u></u>	<u><u>19,253,136</u></u>

12 Tax

Income tax receivable	<u>402,886</u>	<u>17,447</u>
Deferred tax assets	<u><u>446,964</u></u>	<u><u>516,006</u></u>

13 Trade and other payables

Current		
Unsecured liabilities		
Trade payables	6,214,750	6,273,732
Employee benefits	245,465	282,844
Sundry payables and accrued expenses	<u>395,966</u>	<u>957,602</u>
	<u><u>6,856,181</u></u>	<u><u>7,514,178</u></u>

Notes to the Financial Statements
For the Half-Year Ended 31 January 2019

14 Borrowings

	31 January 2019 \$	31 July 2018 \$
Current		
Unsecured liabilities:		
Insurance refinancing	38,210	152,839
Secured liabilities:		
Bank Facility – Bank of Melbourne	11,296,509	10,872,717
	<u>11,334,719</u>	<u>11,025,556</u>

As at 31 January 2019, the Consolidated Group had a credit facility of \$15,000,000 of which \$3,703,491 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 the Capital and the Stock turn covenants but has breached the Fixed Charge Ratio during the reporting period. The lender has advised that they do not propose to take any action in respect of this default, however, reserves their rights to do so in the future.

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

	31 January 2019 \$	31 July 2018 \$
Financial assets that have been pledged as part of the total collateral for the benefit of Bank of Melbourne are as follows:		
Cash and cash equivalents	421,312	287,557
Trade receivables	10,942,734	14,129,857
Inventories	15,384,131	13,455,970
	<u>26,748,177</u>	<u>27,873,384</u>

The collateral over financial assets represents a first fixed and floating charge over financial assets of Heritage Brands (Australia) Pty Ltd and second fixed and floating charge over financial assets of Heritage Brands Ltd and Incolabs Pty Ltd.

The Bank of Melbourne Finance loan carries a current variable rate of interest at 6.30% per annum.

Notes to the Financial Statements
For the Half-Year Ended 31 January 2019

15 Investments in Associate

	31 January 2019	31 July 2018
	\$	\$
Investment in Heritage Luma Pty Limited	140,000	140,000
Total	140,000	140,000

The Group has a 35% interest in Heritage Luma Pty Limited. The Group considers that it has significant influence over Heritage Luma Pty Limited as a result of its investment. Up to 31 January 2019 there has been no significant operations in Heritage Luma Pty Limited.

16 Issued Capital

	31 January 2019	31 July 2018
	\$	\$
Ordinary shares	25,915,489	25,915,489
Total	25,915,489	25,915,489

Ordinary shares

	31 January 2019	31 July 2018
	No.	No.
At the beginning of the reporting period	1,801,111,087	1,801,111,087
At the end of the reporting period	1,801,111,087	1,801,111,087

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

17 Dividends

A fully franked dividend of 0.05 cents per share, totalling \$900,556, was declared on 18 September 2018 and paid on 14 December 2018.

Notes to the Financial Statements

For the Half-Year Ended 31 January 2019

18 Commitments

Operating leases

	31 January 2019 \$	31 July 2018 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	2,004,184	1,719,252
- between one year and five years	1,462,565	1,465,727
	<u>3,466,749</u>	<u>3,184,979</u>

The property lease is a non-cancellable lease with a remaining three-year term, with rent payable monthly in advance. Provisions within the lease agreement require the minimum lease payments shall remain at the current rate for 5 years.

The operating leases for cosmetic stands 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.

19 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 31 January 2019 (31 July 2018: None).

20 Related Parties

Transactions with related parties

Director fees of \$87,588 were paid or payable to the directors during the half-year.

There have been no other transactions with related parties.

21 Events Occurring After the Reporting Date

The financial report was authorised for issue on 21 March 2019 by the board of directors.

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

22 Company Details

The registered office of the company is:

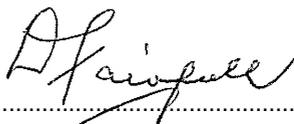
Heritage Brands Ltd
30 Bando Road
Springvale
VIC 3171

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 January 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

FAIRFULL David John

Dated 21 March 2019

ROTHSAY

CHARTERED ACCOUNTANTS

HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Heritage Brands Ltd:

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Heritage Brands Ltd, which comprises the consolidated statement of financial position as at 31 January 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Heritage Brands Ltd (the "consolidated entity"). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and for such internal control as the directors determine necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Heritage Brands Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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HERITAGE BRANDS LTD AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Heritage Brands Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.

Rothsay Chartered Accountants

Frank Vrachas

Partner

Sydney, 22 March 2019