

**HERITAGE BRANDS LIMITED (FORMERLY
SODA BRANDS LIMITED)
AND CONTROLLED ENTITIES**

ABN: 91 081 149 635

**Financial Report For The Year Ended
31 July 2010**

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**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 31 July 2010.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- manufacturing and distribution of hair care products; and
- distribution of cosmetics products.

Operating Results and Review of Operations for the year

Operating Results

The consolidated loss of the group amounted to \$2,718,382 (2009: Loss \$6,212,318). This represented an 57% decrease on losses reported for the year ended 2009. The significant improvement was largely due to the increase in sales of Innoxia products, subsequent to the acquisition of Incolabs Holdings Pty Ltd and its subsidiaries.

Review of Operations

Please refer to the Chairman's Report for details of Review of Operations.

Financial Position

The net assets of the consolidated group have increased by \$1,144,291 from 31 July 2009 to \$685,822 in 2010. This increase is due to the following:

- Proceeds from issue of shares - \$3,862,673;
- Consolidated losses for the year ended 31 July 2010 - \$2,718,382.

The directors believe that the group is in a stable financial position to run its current operations profitably in 2010/11 financial year.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

The Company completed the acquisition of Innoxia Group Pty Ltd and its subsidiaries on 31 October 2009.

Revenue of Innoxia Group Pty Ltd and its subsidiaries included in the consolidated revenue of the Group since the acquisition amounted to \$5,860,599. Loss of Innoxia Group Pty Ltd and its subsidiaries included in consolidated results of the Group since the acquisition date amounted to \$2,032,350.

On 28 October 2009 the directors resolved to cancel 2,000,000 share options previously issued to the ex-directors.

On 16 December 2009 the Company issued 193,133,617 ordinary shares at \$0.02 each to existing shareholders on the basis of 1 share for every 5.2 shares held. The shares rank equally for dividends paid after 16 December 2009.

Changes in controlled entities and divisions:

- (i) Purchase of 100% of equity in Innoxia Group Pty Ltd and its subsidiaries, which distributes hair care and cosmetic products.

Dividends Paid or Recommended

No dividends was paid or declared for payment during the financial year.

After Balance Date Events

1. At an Extraordinary meeting of shareholders held on 06 August 2010 the shareholders of the company:
 - Approved the purchase of 100% interest in Creative Brands Pty Ltd (CB), in consideration for the issue by the company of 217,762,810 ordinary shares and the appointment of following former associates of CB as directors of the Company:
 - a) William McCartney
 - b) Stephen Leslie Mason
 - c) Stephen Donald Alfred Goodey
 - d) Peter Henry Townsend Cox
 - Approved change of company name from Soda Brands Limited to Heritage Brands Limited to better reflect the brand value of the group.
2. Name of the company was changed to Heritage Brands Limited on 12 August 2010.
3. The share sale agreement between Heritage Brands Limited and CB was executed on 10 August 2010.
4. The executive service agreement with Stephen Donald Alfred Goodey as per terms of sale agreement was executed on 10 August 2010.
5. A deed of equalisation for new loans to be provided by incoming directors was executed on 20 August 2010.
6. A loan agreement for new facilities from shareholders amounting to \$2.8 millions was executed on 20 August 2010.
7. New shares issued to CB were listed on NSX on 10 August 2010.
8. New Loans amounting to \$962,857 were received from shareholders to the group.
9. Operations were amalgamated and relocated to CB premises in Melbourne, in August 2010.

Future Developments, Prospects and Business Strategies

Please refer to the Chairman's Report regarding Future Developments, Prospects and Business Strategies.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulations under the law of the Commonwealth and State.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Information on Directors

FAIRFULL David John (Non-exec Chairman)		No change during the year
Qualifications	—	B.Com (UNSW), A.C.I.S., C.P.A., Ffin, M.A.I.C.D.
Experience	—	Mr. David John Fairfull is merchant banker with over 40 years experience in mergers and acquisitions and underwriting projects. During the past three years, Mr. Fairfull has served as a Director of the following listed companies: Australian Pharmaceutical Industries Limited Gazal Corporation Limited New Hope Corporation Limited* SP Telemedia Limited Stockland Trust Group Washington H. Soul Pattinson and Company Limited* * denotes current directorship Mr. Fairfull represents Soul Private Equity Limited (SPEL), the majority shareholder of the group. SPEL holds 114,962,106 Fully Paid Ordinary Shares - 47.93% of issued capital.
Interest in Shares and Options	—	620,000 Fully Paid Ordinary Shares
Special Responsibilities	—	Member of Audit Committee & Remuneration Committee
KROK Maxim (Non-executive Director)		No change during the year
Interest in Shares and Options	—	The director is a nominee director appointed by Maximize Equity Pty Ltd (holding 91,431,644 Fully Paid Ordinary Shares and 500,000 options), the ultimate holding company of Kistani Holdings Pty Ltd (Kistani). Kistani holds 11,369,060 Fully Paid Ordinary Shares - 24.63% of issued capital and 100,000 options
BEINART Steven (CEO -Executive Director)		No change during the year
Interest in Shares and Options	—	The director is a nominee director appointed by Maximize Equity Pty Ltd (holding 91,431,644 Fully Paid Ordinary Shares and 500,000 options), an ultimate holding company of Kistani Holdings Pty Ltd (Kistani). Kistani holds 11,369,060 Fully Paid Ordinary Shares - 24.63% of issued capital and 100,000 options
GOODEY Stephen Donald Alfred (Managing Director)		Appointed on 06 August 2010
Qualifications	—	B.Com, MBA, IMM
Experience	—	Extensive experience in FMCG companies internationally.
Interest in Shares and Options	—	18,299,834 Fully Paid Ordinary Shares
MASON Stephen Leslie (Non-exec Director)		Appointed on 06 August 2010
Qualifications	—	LLB, B.Com, FCPA, FCIS
Interest in Shares and Options	—	63,895,060 Fully Paid Ordinary Shares
Directorships held in other listed entities during the three years prior to the current year	—	Lemaran Corporation Limited
McCARTNEY William Thomas (Non-exec Director)		Appointed on 06 August 2010
Interest in Shares and Options	—	80,671,614 Fully Paid Ordinary Shares
COX Peter Henry Townsend (Non-exec Director)		Appointed on 06 August 2010
Qualifications	—	B.Com (Melb), ACA
Interest in Shares and Options	—	18,299,834 Fully Paid Ordinary Shares
SMITH Brent Charles Albert (Non-exec Director)		Appointed on 06 August 2010
Qualifications	—	B.Bus, F.Fin
Interest in Shares and Options	—	Nil
FAIRFULL Andrew (Non-exec Chairman)		Retired on 06 August 2010
Qualifications	—	Bachelor of Commerce, MAICD, SA Fin
Experience	—	Twelve year financial service industry experience with Souls Private Equity Limited and six years chartered accounting experience
Interest in Shares and Options	—	115,000 Fully Paid Ordinary Shares and 250,000 Options
PHOTAKIS, Christopher (Non-exec Director)		Retired on 07 August 2009
Interest in Shares and Options	—	Nil

Company Secretary

The following person held the position of company secretary at the end of the financial year:
MCGIBBON, Christopher William was appointed company secretary on 09 February 2009.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Meetings of Directors

During the financial year, 7 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Committee Meetings			
Directors' Meetings		Audit Committee	
Number eligible to attend	Number attended	Number eligible to attend	Number attended
7	6	1	1
7	7	-	-
7	7	1	1
7	6	1	1
-	-	-	-

FAIRFULL David John (Non-exec Chairman)
KROK Maxim (Non-executive Director)
BEINART Steven (CEO -Executive Director)
FAIRFULL Andrew (Non-exec Chairman)
PHOTAKIS, Christopher (Non-exec Director)

Indemnifying Officers or Auditor

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The company has paid premiums to insure each 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 of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums paid amounted to \$27,475.
- No indemnities have been issued or insurance premium paid in respect of auditors of the Company.

Options

At the date of this report, the unissued ordinary shares of Heritage Brands Limited (Formerly Soda Brands Limited) under option are as follows

Grant Date	Date of expiry	Exercise price	Number under option	Issued to
1/12/2006	31/07/2012	25c	250,000	Andrew Fairfull
9/09/2008	01/08/2011	25c	100,000	Kistani Holdings Pty Ltd
9/09/2008	01/08/2012	25c	500,000	Maximize Equity Pty Ltd
9/09/2008	01/08/2012	25c	150,000	Richard Stanley
			<u>1,000,000</u>	

Options holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

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

Proceedings on Behalf of Company

No person has applied for leave of Court 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.

The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit 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 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 Rothsay Accounting Services Pty Ltd for non-audit services provided during the year ended 31 July 2010:

	\$
Taxation services	5,469
	<u>5,469</u>

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 July 2010 has been received and can be found on page 7 of the Annual Report.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT

Remuneration policy

The remuneration policy of Heritage Brands Limited (Formerly Soda Brands Limited) has been designed to align key management personnel 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 consolidated group's financial results. The board of Heritage Brands Limited (Formerly Soda Brands Limited) 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 consolidated 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 consolidated group is as follows:

- The remuneration policy is required to be developed by the remuneration committee and approved by the board after seeking 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, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated 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 consolidated 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 results leading to long-term growth in shareholder wealth. Due to the small size of the group and the operating deficit suffered during the past few years only token bonuses and salary incentives have been granted.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, 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.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholder interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

Key management personnel subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, i.e. put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

Performance based 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 areas 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.

In determining whether or not a KPI has been achieved, Heritage Brands Limited (Formerly Soda Brands Limited) bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

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 areas 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.

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In determining whether or not a KPI has been achieved, the group bases the assessment on audited figures.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, were amongst the five group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of option.

	Position Held as at 31 July 2010 and any change during the year
Group Key Management Personnel	
FAIRFULL David John (Non-exec Chairman)	No change during the year
KROK Maxim (Non-executive Director)	No change during the year
BEINART Steven (CEO -Executive Director)	No change during the year
FAIRFULL Andrew (Non-exec Chairman)	No change during the year
PHOTAKIS, Christopher (Non-exec Director)	Retired on 07 August 2009
McGIBBON Christopher William (General Manager - shared services)	No change during the year

	Proportions of elements of remuneration not related to performance	
	Fixed Salary/Fees %	Total %
Group Key Management Personnel		
FAIRFULL David John (Non-exec)	100	100
KROK Maxim (Non-executive Director)	100	100
BEINART Steven (CEO -Executive Director)	100	100
GOODEY Stephen Donald Alfred (Managing Director)	100	100
MASON Stephen Leslie (Non-exec Director)	100	100
McGIBBON Christopher William (General Manager - shared services)	100	100

The employment terms and conditions of key management personnel and group executives are formalised in contracts of employment.

Changes in Directors and Executives Subsequent to Year End

On 06 August 2010, Andrew Fairfull retired from the position of Non-Executive Chairman.

On 06 August 2010, William Thomas McCartney commenced as a Director.

On 06 August 2010, Stephen Leslie Mason commenced as a Director.

On 06 August 2010, Stephen Donald Alfred Goodey commenced as the Managing Director.

On 06 August 2010, Peter Henry Townsend Cox commenced as a Director.

On 06 August 2010, Brent Charles Albert Smith commenced as a Director.

Remuneration Details for the Year Ended 31 July 2010

The following table of payments and benefit details, in respect to the financial year, the components of remuneration for each member of the key management personnel for the consolidated group and, to the extent different, the five group executives and five company executives receiving the highest remuneration:-

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Table of Benefits and Payments for the year ended 31 July 2010

	Short-term benefits Salary, Fees and Leave \$	Post Employment Superannuation \$	Total \$
2010			
Group Key Management Personnel			
FAIRFULL David John (Non-executive Chairman)	19,983	-	19,983
KROK Maxim (Non-executive Director)	30,900	1,800	32,700
BEINART Steven (CEO - Executive Director)	20,000	1,800	21,800
FAIRFULL Andrew (Non-exec Chairman)	24,000	2,160	26,160
PHOTAKIS, Christopher (Non-exec Director)	-	-	-
McGIBBON Christopher William (General Manager - shared services)	206,316	18,661	224,977
	<u>301,199</u>	<u>24,421</u>	<u>325,620</u>
2009			
Group Key Management Personnel			
KROK Maxim (Non-executive Director)	26,667	-	26,667
BEINART Steven (CEO - Executive Director)	5,000	-	5,000
FAIRFULL Andrew (Non-exec Chairman)	24,000	2,160	26,160
PHOTAKIS, Christopher (Non-exec Director)	5,000	-	5,000
GHATTA, Nicolas (Ex Director)	208,850	9,451	218,301
DIMITRIDIS Stavros (Ex Director)	15,000	-	15,000
BRETT Hilton (Ex Director)	16,350	-	16,350
KULMAR Stephen (Ex Director)	16,344	-	16,344
	<u>317,211</u>	<u>11,611</u>	<u>328,822</u>

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 Bonuses, Performance-Related Bonuses and Share-based Payments

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

This Report of the Directors', incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



FAIRFULL David John (Non-exec Chairman)

Dated: 28/10/2010



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS
LIMITED) AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 31 July 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm Rothsay Chartered Accountants

Name of Partner Frank Vlachas

Date 29/10/2010

Address Level 1, 12 O'Connell Street
Sydney NSW 2000



HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 JULY 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Continuing operations					
Revenue	2	7,094,340	2,364,386	1,178,817	2,328,212
Changes in inventories		(3,940,113)	(2,278,689)	(918,847)	(2,253,520)
Employee benefits expense		(2,241,135)	(953,795)	(368,796)	(953,795)
Sales, marketing and branding expense		(1,167,905)	(302,706)	(59,428)	(300,706)
Distribution Expense		(347,551)	(294,095)	(36,005)	(292,365)
Reorganisation transaction fees		(541,824)	-	-	-
Freight & cartage		(364,132)	-	(36,005)	-
Management fees		(168,314)	-	-	-
Depreciation and amortisation expense		(183,483)	(78,365)	(32,096)	(78,365)
Finance costs		(172,473)	(68,649)	(77,559)	(68,649)
Other expenses		(685,792)	(791,444)	(477,971)	(790,729)
Loss on impairment of goodwill		-	(3,808,961)	-	(3,808,961)
Loss before income tax	3	<u>(2,718,382)</u>	<u>(6,212,318)</u>	<u>(827,890)</u>	<u>(6,218,878)</u>
Income tax expense	4	-	-	-	-
Discontinued operations					
Loss for the year	3	<u>(2,718,382)</u>	<u>(6,212,318)</u>	<u>(827,890)</u>	<u>(6,218,878)</u>
Earnings per share					
From continuing and discontinued operations					
Basic earnings per share (cents)	7	(1.63)	(13.88)		
Diluted earnings per share (cents)	7	(1.62)	(10.68)		
From continuing operations:					
Basic earnings per share (cents)	7	(1.63)	(13.88)		
Diluted earnings per share (cents)	7	(1.62)	(10.68)		

The accompanying notes form part of these financial statements.

HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Profit for the year		(2,718,382)	(6,212,318)	(827,890)	(6,218,878)
Other comprehensive income:					
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		<u>(2,718,382)</u>	<u>(6,212,318)</u>	<u>(827,890)</u>	<u>(6,218,878)</u>

The accompanying notes form part of these financial statements.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES**

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	354,136	19,679	50,991	18,022
Trade and other receivables	9	950,213	286,955	3,005,358	439,737
Inventories	10	881,409	641,687	110,000	621,313
Other assets	15	133,131	62,496	11,448	62,496
TOTAL CURRENT ASSETS		2,318,889	1,010,817	3,177,797	1,141,568
NON-CURRENT ASSETS					
Other financial assets	11	-	-	805	704
Property, plant and equipment	13	448,551	58,349	26,082	58,349
Intangible assets	14	1,549,502	-	-	-
TOTAL NON-CURRENT ASSETS		1,998,053	58,349	26,887	59,053
TOTAL ASSETS		4,316,942	1,069,166	3,204,684	1,200,621
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	2,652,782	897,750	486,512	887,347
Short-term provisions	19	7,246	-	-	-
TOTAL CURRENT LIABILITIES		2,660,028	897,750	486,512	887,347
NON-CURRENT LIABILITIES					
Borrowings	17	770,000	629,885	-	629,885
Other long-term provisions	19	201,093	-	-	-
TOTAL NON-CURRENT LIABILITIES		971,093	629,885	-	629,885
TOTAL LIABILITIES		3,631,121	1,527,635	486,512	1,517,232
NET ASSETS		685,821	(458,469)	2,718,172	(316,611)
EQUITY					
Issued capital	20	11,747,678	7,885,006	11,747,678	7,885,006
Accumulated losses		(11,061,857)	(8,343,475)	(9,029,506)	(8,201,617)
TOTAL EQUITY		685,821	(458,469)	2,718,172	(316,611)

The accompanying notes form part of these financial statements.

HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2010

	Ordinary Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Consolidated Group				
Balance at 1 August 2008	6,912,808	(2,131,157)	(9,521)	4,772,130
Shares issued during the year	972,198	-	-	972,198
Loss attributable to members of parent entity	-	(6,212,318)	-	(6,212,318)
Total other comprehensive income for the year	-	-	9,521	9,521
Balance at 31 July 2009	7,885,006	(8,343,475)	-	(458,469)
Shares issued during the year	3,862,672	-	-	3,862,672
Loss attributable to members of parent entity	-	(2,718,382)	-	(2,718,382)
Balance at 31 July 2010	11,747,678	(11,061,857)	-	685,821

The accompanying notes form part of these financial statements.

	Ordinary Share Capital	Accumulated Losses	Foreign Currency Translation	Total
	\$	\$	\$	
Parent Entity				
Balance at 1 August 2008	6,912,808	(1,982,739)	-	4,930,069
Shares issued during the year	972,198	-	-	972,198
Loss attributable to members of parent entity	-	(6,218,878)	-	(6,218,878)
Balance at 31 July 2009	7,885,006	(8,201,617)	-	(316,611)
Shares issued during the year	3,862,672	-	-	3,862,672
Loss attributable to members of parent entity	-	(827,890)	-	(827,890)
Balance at 31 July 2010	11,747,678	(9,029,506)	-	2,718,172

The accompanying notes form part of these financial statements.

HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		7,061,593	2,629,375	1,427,283	2,537,864
Interest received		2,724	1,482	624	1,482
Payments to suppliers and employees		(10,560,344)	(3,748,811)	(1,722,014)	(3,487,694)
Finance costs		(172,474)	(68,649)	(77,559)	(68,649)
Net cash provided used in operating activities	23	(3,668,501)	(1,186,603)	(371,666)	(1,016,996)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		171	-	171	-
Purchase of business		-	(515,825)	(101)	(515,825)
Purchase of property, plant and equipment		-	-	-	(169,001)
Loans made to subsidiaries		-	-	(2,828,222)	-
Net cash provided by/(used in) investing activities		171	(515,825)	(2,828,152)	(684,826)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		3,232,787	972,198	3,232,787	972,198
Proceeds from borrowings		770,000	629,885	-	629,885
Net cash provided by financing activities		4,002,787	1,602,083	3,232,787	1,602,083
Net increase/ (decrease) in cash held		334,457	(100,345)	32,969	(99,739)
Cash and cash equivalents at beginning of financial year	8	19,679	120,024	18,022	117,761
Cash and cash equivalents at end of financial year	8	354,136	19,679	50,991	18,022

The accompanying notes form part of these financial statements.

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
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This financial report includes the consolidated financial statements and notes of Heritage Brands Limited (Formerly Soda Brands Limited) and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Heritage Brands Limited (Formerly Soda Brands Limited) as an individual parent entity ('Parent Entity').

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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

Going concern basis

During the year ended 31 July 2010, the Group incurred a negative operating cash flows of \$3,668,501. As at 31 July 2010 the Group has a deficiency of current assets over current liabilities of \$341,139.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

To continue as a going concern the Group requires additional funding to be secured within the next year from sources including:

- * deferment of the repayment of existing borrowings from the major shareholders,
- * raising additional borrowings from major shareholders,
- * equity capital raising, and
- * the generation of sufficient funds from operating activities, subsequent to the acquisition of 100% interest in the Creative Brands Pty Ltd and consolidation of the business activities in Victoria.

Having carefully assessed the uncertainties relating to likelihood of securing additional funding, the Group's ability to effectively manage their expenditure and cash flows from operations, the directors believe that the Group will continue to operate as a going concern for the foreseeable future and therefore it is appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is significant uncertainty whether the Group will continue to operate a going concern. If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial reports relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Heritage Brands Limited (Formerly Soda Brands Limited) at the end of the reporting period. A controlled entity is any entity over which Heritage Brands Limited (Formerly Soda Brands Limited) has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer note 1(n)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

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Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated 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 enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Heritage Brands Limited (Formerly Soda Brands Limited) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. 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 2009.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to Note 1(ab) for further details on changes in accounting policy.

(d) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight-line or written down value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) 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 is transferred to entities in the consolidated 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.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition
- (b) less principal repayments
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

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(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Impairment of Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) Intangibles

Goodwill

Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

In determining the net identifiable assets acquired, contingent liabilities of the acquiree are included to the extent to which they represent a present obligation and can be measured reliably.

Refer to Note 12 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill 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.

(i) 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 translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

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(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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 cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

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

(n) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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.

Key Estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for plant and equipment based in Australia, growth rates of 3% have been factored into valuation models for the next five years on the basis of management's expectations around the Group's continued ability to capture market share from competitors. Cash flow growth rates of 3% subsequent to this period have been used as this reflects historical industry averages. The rates used incorporate allowance for inflation. Pre-tax discount rates of 10 years government bonds yield rates have been used in all models.

No impairment has been recognised in respect of goodwill at the end of the reporting period. Should the projected turnover figures be outside 20% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of \$1,549,502.

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Key Judgements

(i) Provision for Impairment of Receivables

The directors believe that a provision for doubtful debts of \$39,038 (2009: \$21,198) is reasonable and that all other trade debtors are fully recoverable as at the end of financial year.

(r) Adoption of new and revised accounting standards

During the current year the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Heritage Brands Limited (Formerly Soda Brands Limited).

AASB 3 Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3, and as a result some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. Below is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of an additional ownership interests in Incolabs Pty Ltd, Innoxia Group Pty Ltd, Innoxia Holdings Pty Ltd and Innoxia Marks Pty Ltd (the acquired companies).

Recognition and measurement impact

Recognition of Acquisition Costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

No costs associated with the acquisition were capitalised.

Measurement of Contingent Considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent that they relate to conditions or events existing at acquisition date in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of an additional ownership interest in the acquired companies, no contingent consideration has been recognised. There has been no current year impact on the statement of comprehensive income; however as the probability of payment changes some impact may be noted in future reporting periods.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

There were no contingencies associated with the acquisition of full ownership interest in innoxia Holdings Pty Ltd.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements, not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8 Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114 segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports, using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment Testing of the Segments Goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined implementation of AASB 8 has not impacted the CGU's of each operating segment.

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Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The group's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(s) New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

• **AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]** (applicable for annual reporting periods commencing on or after 1 January 2013)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows

• **AASB 2009-4 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]"** (applicable for annual reporting periods commencing from 1 July 2009) and **AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]"** (applicable for annual reporting periods commencing from 1 January 2010)

These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

• **AASB 2009-8 "Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]"** (applicable for annual reporting periods commencing on or after 1 January 2010)

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

• **AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]** (applicable for annual reporting periods commencing on or after 1 February 2010)

The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards.

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Note 2 Revenue and Other Income

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenue from Continuing Operations					
Sales Revenue		7,038,692	2,362,904	1,178,093	2,326,730
— sale of goods		7,038,692	2,362,904	1,178,093	2,326,730
Other Revenue					
— interest received	2(a)	2,724	1,482	624	1,482
— other revenue		52,924	-	100	-
		55,648	1,482	724	1,482
Total Revenue		7,094,340	2,364,386	1,178,817	2,328,212
(a) Interest revenue from:					
— other persons		2,724	1,482	624	1,482
Total interest revenue on financial assets not at fair value through profit or loss		2,724	1,482	624	1,482
		-	-	-	-

Note 3 Profit for the Year

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
(a) Expenses					
Cost of sales		3,940,113	2,278,689	918,847	2,253,520
Interest expense on financial liabilities not at fair value through profit or loss:					
— Ultimate parent entity		48,138	15,288	15,605	15,288
— Associated companies		47,470	14,596	13,981	15,296
— Other persons		76,865	38,765	47,973	38,065
Total interest expense		172,473	68,649	77,559	68,649
Impairment of non-current investments		-	-	-	3,808,961
Impairment of goodwill		-	3,808,961	-	-
Bad and doubtful debts:					
— trade receivables		30,469	113,260	30,367	113,260
Total bad and doubtful debts		30,469	113,260	30,367	113,260
Rental expense on operating leases					
Loss on disposal of property, plant and equipment		40,649	56,006	-	56,006
(b) Significant Expenses					
The following significant revenue and expense items are relevant in explaining the financial performance:					
Reorganisation transaction fees		(541,824)	-	-	-
Loss on impairment of goodwill		-	(3,808,961)	-	(3,808,961)
		(541,824)	(3,808,961)	-	(3,808,961)

Note 4 Income Tax Expense

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
(a) The components of tax expense comprise:					
Current tax		-	-	-	-
Deferred tax	18	-	-	-	-
		-	-	-	-

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- (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)				
— consolidated group	(815,515)	(1,863,695)		
— parent entity			(248,367)	(1,865,663)
Add:				
Tax effect of:				
— other non-allowable items	331,806	-	8,332	-
— Non deductible impairment of goodwill	-	1,142,688	-	1,142,688
— Deferred tax assets not brought to account	483,709	724,640	240,035	726,608
	-	3,633	-	3,633
Less:				
Tax effect of:				
— Other deductible expenses	-	3,633	-	3,633
Income tax attributable to entity	-	-	-	-

The applicable weighted average effective tax rates are as follows: 0% 0% 0% 0%

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Note 5 Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 July 2010.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2010	2009
	\$	\$
Short-term employee benefits	301,199	317,211
Post-employment benefits	24,421	11,611
	<u>325,620</u>	<u>328,822</u>

KMP Options and Rights Holdings

The number of options over ordinary shares held during the financial year by each KMP of the Group is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable	Vested and unexercisable
31 July 2010								
FAIRFULL Andrew (Non-exec Chairman)	250,000	-	-	-	250,000	-	-	-
GHATTAS Nicolas (Ex Directors)	1,000,000	-	-	(1,000,000)	-	-	-	1,000,000
BRETT Hilton (Ex Director)	250,000	-	-	(250,000)	-	-	-	250,000
KULMAR Stephen (Ex Directors)	250,000	-	-	(250,000)	-	-	-	250,000
	<u>1,750,000</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
31 July 2009								
FAIRFULL Andrew (Non-exec Chairman)	250,000	-	-	-	250,000	-	-	-
GHATTAS Nicolas (Ex Directors)	1,000,000	-	-	-	1,000,000	-	-	-
BRETT Hilton (Ex Director)	250,000	-	-	-	250,000	-	-	-
KULMAR Stephen (Ex Directors)	250,000	-	-	-	250,000	-	-	-
	<u>1,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

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KMP Shareholdings

The number of ordinary shares in Heritage Brands Limited (Formerly Soda Brands Limited) held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
31 July 2010			620,000	-	620,000
FAIRFULL David John (Non-exec Chairman)	-	-	-	-	-
FAIRFULL Andrew (Non-exec Chairman)	115,000	-	-	598,000	713,000
McGIBBON Christopher (General Manager - shared services)	-	-	-	3,070,000	3,070,000
GHATTAS Nicolas (Ex Directors)	1,275,000	-	-	-	1,275,000
BRETT Hilton (Ex Director)	150,000	-	-	-	150,000
Kistani Holdings Pty Ltd represented by Steven Beinart and Maxim Krok.	11,369,060	-	-	-	11,369,060
	<u>12,909,060</u>	<u>-</u>	<u>620,000</u>	<u>3,668,000</u>	<u>17,197,060</u>

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
31 July 2009					
FAIRFULL Andrew (Non-exec Chairman)	115,000	-	-	-	115,000
GHATTAS Nicolas (Ex Directors)	1,275,000	-	-	-	1,275,000
BRETT Hilton (Ex Director)	150,000	-	-	-	150,000
Kistani Holdings Pty Ltd represented by Steven Beinart and Maxim Krok.	-	-	-	11,369,060	11,369,060
	<u>1,540,000</u>	<u>-</u>	<u>-</u>	<u>11,369,060</u>	<u>12,909,060</u>

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 26: Related Party Transactions. For details of loans to KMP, refer to Note 9: Trade and Other Receivables.

Note 6 Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	25,000	15,000	-	15,000
— taxation services provided by related practice of auditor	5,469	5,220	-	5,220
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	-	-	-	-

Note 7 Earnings per Share

	Consolidated Group	
	2010	2009
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Profit/ (loss)	(2,718,382)	(6,212,318)
Earnings used to calculate basic EPS	(2,718,382)	(6,212,318)
Earnings used in the calculation of dilutive EPS	<u>(2,718,382)</u>	<u>(6,212,318)</u>
(b) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	(2,718,382)	(6,212,318)
Earnings used to calculate basic EPS from continuing operations	<u>(2,718,382)</u>	<u>(6,212,318)</u>
Earnings used in the calculation of dilutive EPS from continuing operations	<u>(2,718,382)</u>	<u>(6,212,318)</u>

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- (c) Reconciliation of earnings to profit or loss from discontinuing operations
Profit from discontinuing operations
Earnings used to calculate basic EPS from discontinuing operations

-	-
-	-

- (d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS
Weighted average number of dilutive options outstanding
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

No.	No.
166,695,773	44,767,613
1,000,000	13,398,085
<u>167,695,773</u>	<u>58,165,698</u>

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group	Parent Entity
		2010	2009
		\$	\$
Cash at bank and in hand		354,136	19,679
	27	<u>354,136</u>	<u>19,679</u>

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	354,136	19,679	50,991	18,022
	<u>354,136</u>	<u>19,679</u>	<u>50,991</u>	<u>18,022</u>

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 17 for further details.

Note 9 Trade and Other Receivables

	Note	Consolidated Group	Parent Entity
		2010	2009
		\$	\$
CURRENT			
Trade receivables	9e	989,251	308,153
Provision for impairment	9d(i)	(39,038)	(21,198)
		<u>950,213</u>	<u>286,955</u>
Amounts receivable from:			
— wholly-owned subsidiaries		-	-
		2,828,222	171,111
Total current trade and other receivables		<u>950,213</u>	<u>3,005,358</u>

(a) Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing and are generally on 60-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 01.08.08	Charge for the Year	Amounts Written Off	Closing Balance 31.07.09
Consolidated Group	\$	\$	\$	\$
(i) Current trade receivables	2,243	18,955	-	21,198
	<u>2,243</u>	<u>18,955</u>	<u>-</u>	<u>21,198</u>
Parent Entity				
(i) Current trade receivables	2,243	18,955	-	21,198
	<u>2,243</u>	<u>18,955</u>	<u>-</u>	<u>21,198</u>
	Opening Balance 01.08.09	Charge for the Year	Amounts Written Off	Closing Balance 31.07.10
Consolidated Group	\$	\$	\$	\$
(i) Current trade receivables	21,198	17,840	-	39,038
	<u>21,198</u>	<u>17,840</u>	<u>-</u>	<u>39,038</u>
Parent Entity				
(i) Current trade receivables	21,198	17,840	-	39,038
	<u>21,198</u>	<u>17,840</u>	<u>-</u>	<u>39,038</u>

Credit risk - Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 9. 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 exposed 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 with 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 are specific circumstances indicating that the debt may not be fully repaid to the Group.

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

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2010	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	950,213	39,038	154,859	69,785	55,990	140,944	567,673
Total	950,213	39,038	154,859	69,785	55,990	140,944	567,673

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2009	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	286,955	21,198	-	-	-	23,782	284,371
Total	286,955	21,198	-	-	-	23,782	284,371

Parent Entity	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2010	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	177,136	39,038	22,971	21,130	11,892	110,783	49,397
Total	177,136	39,038	22,971	21,130	11,892	110,783	49,397

Parent Entity	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2009	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	268,626	21,198	-	-	-	23,782	266,042
Total	268,626	21,198	-	-	-	23,782	266,042

The provision is provided for past due and impaired amount and yet to be written off.

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
(b) Financial Assets classified as loans and receivables		\$	\$	\$	\$
Trade and other Receivables					
— Total Current		950,213	286,955	3,005,358	439,737
— Total Non-Current		-	-	-	-
Financial Assets	27	950,213	286,955	3,005,358	439,737
(c) Collateral pledged					
A floating charge over trade receivables has been provided for certain debt. Refer to Note 17 for further details.					

Note 10 Inventories

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
CURRENT		\$	\$	\$	\$
At cost					
Finished goods		881,409	905,220	110,000	884,846
Provision for slow moving/ obsolete stock		-	(263,533)	-	(263,533)
		881,409	641,687	110,000	621,313
		881,409	641,687	110,000	621,313

Note 11 Other Financial Assets

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
NON CURRENT		\$	\$	\$	\$
Other investments	11b	-	-	805	704
		-	-	805	704

(a) Available-for-sale financial assets comprise:					
NON CURRENT					
Unlisted investments, at recoverable amount					
— shares in other corporations at cost		-	-	-	3,808,961
Less: Impairment provision		-	-	-	(3,808,961)
Total non-current available-for-sale financial assets	27	-	-	-	-
(b) Other investments					
NON CURRENT					
Shares in subsidiaries		-	-	805	704
		-	-	805	704

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Note 12 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
Subsidiaries of Heritage Brands Limited (Formerly Soda Brands Limited):			
SO Distributions Pty Ltd	Australia	100%	100%
Salon Only Pty Ltd	Australia	100%	100%
Soda Brands (NZ) Limited	New Zealand	100%	100%
Soda Brands (UK) Limited	United Kingdom	100%	100%
Kistani Pty Ltd	Australia	100%	100%
Innoxia Group Pty Ltd	Australia	100%	0%
Innoxia Holdings Pty Ltd	Australia	100%	0%
Innoxia Marks Pty Ltd	Australia	100%	0%
Incolabs Pty Ltd	Australia	100%	0%

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

On 26 October 2009, the parent entity exercised the call option over the entire issued share capital of Innoxia Group Pty Ltd effective on 31 October 2009. The acquisition resulted in Group obtaining control of Innoxia Holdings Pty Ltd, Innoxia Marks Pty Ltd and Incolabs Pty Ltd.

	Note	Acquiree's carrying amount \$	Fair value \$
- Purchase consideration:			
- Cash			1
			<u>1</u>
Less:			
Cash		788,389	788,389
Receivables (i)		2,113,444	2,113,444
Inventories		1,438,487	1,438,487
Property, plant and equipment		572,233	572,234
Payables		(6,462,055)	(6,462,055)
Identifiable assets acquired and liabilities assumed		<u>(1,549,502)</u>	<u>(1,549,501)</u>
Goodwill (ii)			<u>1,549,502</u>

i The directors believe the receivables are fully recoverable and no provision for impairment is required.

ii The goodwill is attributable to the significant synergies expected to arise after the Group's acquisition of Innoxia Group Pty Ltd.

Revenue of Innoxia Group Pty Ltd and its subsidiaries included in the consolidated revenue of the Group since acquisition date on 31 October 2009 amounted to \$5,860,599. The operating loss of Innoxia Group Pty Ltd and its subsidiaries included in consolidated profit of the Group since the acquisition date amounted to \$2,032,350.

Note 13 Plant and Equipment

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	1,262,618	442,129	441,958	442,129
Accumulated depreciation	(814,067)	(383,780)	(415,876)	(383,780)
	<u>448,551</u>	<u>58,349</u>	<u>26,082</u>	<u>58,349</u>
Total Plant and Equipment	<u>448,551</u>	<u>58,349</u>	<u>26,082</u>	<u>58,349</u>

(a) Movements in Carrying Amounts

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

	Plant and Equipment \$	Total \$
Consolidated Group:		
Balance at 1 August 2008	23,719	23,719
Additions	169,001	169,001
Disposals	(56,006)	(56,006)
Depreciation expense	(78,365)	(78,365)
Balance at 31 July 2009	<u>58,349</u>	<u>58,349</u>
Additions	820,489	820,489
Depreciation expense	(430,287)	(430,287)
Balance at 31 July 2010	<u>448,551</u>	<u>448,551</u>

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Parent Entity:

Balance at 1 August 2008	23,719	23,719
Additions	169,001	169,001
Disposals	(56,006)	(56,006)
Depreciation expense	(78,365)	(78,365)
Balance at 31 July 2009	58,349	58,349
Disposals	(171)	(171)
Depreciation expense	(32,096)	(32,096)
Balance at 31 July 2010	26,082	26,082

Note 14 Intangible Assets

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Goodwill				
Cost	5,358,463	3,808,961	-	-
Accumulated impaired losses	(3,808,961)	(3,808,961)	-	-
Net carrying value	1,549,502	-	-	-
Total intangibles	1,549,502	-	-	-

Consolidated Group:

	Goodwill
	\$
Year ended 31 July 2009	
Balance at the beginning of year	3,293,136
Additions	515,825
Impairment losses	(3,808,961)
	-
Year ended 31 July 2010	
Balance at the beginning of year	-
Additions	1,549,502
Closing value at 31 July 2010	1,549,502

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments

	2010	2009
	\$	\$
Distribution segment	1,549,502	-
Total	1,549,502	-

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 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10-year government bonds at the beginning of the budget period.

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

	Growth Rate	Discount Rate
Distribution segment	3%	10 year government bonds yield rates

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. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 15 Other Assets

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Prepayments	129,997	33,583	11,448	33,583
Other assets	3,134	28,913	-	28,913
	133,131	62,496	11,448	62,496

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Note 16 Trade and Other Payables

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Trade payables		1,058,684	327,955	261,182	327,236
Sundry payables and accrued expenses		1,373,906	381,940	225,330	372,256
Amounts payable to:					
— ultimate parent entity		-	95,441	-	95,441
— other related parties		6,540	77,736	-	77,736
— Employees benefits		213,652	14,678	-	14,678
		<u>2,652,782</u>	<u>897,750</u>	<u>486,512</u>	<u>887,347</u>

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
(a) Financial liabilities at amortised cost classified as trade and other payables					
Trade and other payables					
— Total Current		2,652,782	897,750	486,512	887,347
Financial liabilities as trade and other payables	27	<u>2,652,782</u>	<u>897,750</u>	<u>486,512</u>	<u>887,347</u>

Note 17 Borrowings

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
NON-CURRENT					
Secured liabilities					
Ultimate parent entity	17(a)	-	315,288	-	315,288
Major shareholder (Maximize Equity Pty Ltd)	17(a)	385,000	314,597	-	314,597
Major shareholder (Soul Private Equity Ltd)	17(a)	385,000	-	-	-
Total non-current borrowings		<u>770,000</u>	<u>629,885</u>	<u>-</u>	<u>629,885</u>
Total borrowings	27	<u>770,000</u>	<u>629,885</u>	<u>-</u>	<u>629,885</u>

		Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
(a) Total current and non-current secured liabilities:					
Ultimate parent entity		-	315,288	-	315,288
Related entities (Major shareholders)		770,000	314,597	-	314,597
		<u>770,000</u>	<u>629,885</u>	<u>-</u>	<u>629,885</u>

(b) The carrying amounts of non-current assets pledged as security are:					
Fixed charge over fixed assets.		448,551	58,349	26,887	59,053
		<u>448,551</u>	<u>58,349</u>	<u>26,887</u>	<u>59,053</u>

- (c) **Collateral provided**
Financial assets that have been pledged as part of the total collateral for the benefit of secured debt are as follows:-

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash and cash equivalents	8	354,136	19,679	50,991	18,022
Trade receivables	9	950,213	286,955	177,136	268,626
Total financial assets pledged		<u>1,304,349</u>	<u>306,634</u>	<u>228,127</u>	<u>286,648</u>

The collateral over cash and cash equivalents represents a floating charge.

The loans are secured by first ranking fixed and floating charge described above carrying a fixed rate of interest @10% per annum.

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Note 18 Tax

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Income Tax Payable	-	-	-	-
TOTAL	-	-	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

- temporary differences \$353,274 (2009: \$21,468)
- tax losses: operating losses \$1,715,1483 (2009: operating losses \$1,296,091)

Note 19 Provisions

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Short-term Employee Benefits				
Opening balance at 1 August 2009	-	-	-	-
Additional provisions	7,246	-	-	-
Balance at 31 July 2010	7,246	-	-	-

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
NON CURRENT				
Long-term Employee Benefits				
Opening balance at 1 August 2009	-	-	-	-
Additional provisions	201,093	-	-	-
Balance at 31 July 2010	201,093	-	-	-

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current	7,246	-	-	-
Non-current	201,093	-	-	-
	208,339	-	-	-

Provision for Long-term Employee Benefits

A provision 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 has been included in Note 1 to this report.

Note 20 Issued Capital

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
239,859,825 (2009: 46,156,208) fully paid ordinary shares	11,747,678	7,885,006	11,747,678	7,885,006
	11,747,678	7,885,006	11,747,678	7,885,006

(a) Ordinary Shares

At the beginning of the reporting period
Shares issued during the year

- 9/09/2008
- 30/07/2008
- 30/10/2009
- 16/12/2009

At the end of the reporting period

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
No.	No.	No.	No.	No.
46,156,208	34,000,000	46,156,208	34,000,000	
-	12,092,465	-	12,092,465	
-	63,743	-	63,743	
570,000	-	570,000	-	
193,133,617	-	193,133,617	-	
239,859,825	46,156,208	239,859,825	46,156,208	

On 30/10/09 the company issued 570,000 ordinary shares to complete the acquisition of Incolabs Holdings Pty Ltd and its subsidiaries.

On 16/12/09 the company issued 193,133,617 ordinary shares at \$0.02 each to shareholders on the basis of 1 share for every 5.2 shares held. The shares rank for dividends paid after 16/12/09.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

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(b) Options

- (i) For information relating to the Heritage Brands Limited (Formerly Soda Brands Limited) employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 24: Share-based Payments.
- (ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 24: Share-based Payments.

(c) Capital Management

Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

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

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains below 100%. The gearing ratios for the year ended 31 July 2010 and 31 July 2009 are as follows:

		Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Total borrowings	Note 16, 17	3,422,782	1,527,635	486,512	1,517,232
Less cash and cash equivalents	8	(354,136)	(19,679)	(50,991)	(18,022)
Net debt		3,068,646	1,507,956	435,521	1,499,210
Total equity		685,821	(458,469)	2,718,172	(316,611)
Total capital		3,754,467	1,049,487	3,153,693	1,182,599
Gearing ratio		82%	144%	14%	127%

Note 21 Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent Liabilities

Employee disputes

The consolidated group is currently defending claim brought by Australian Taxation Office in relation to unpaid Superannuation Guarantee Charge of \$217,311. The consolidated group has recognised \$60,294 as payable in the financial statements. The management is confident that the claim will limited to amount already provided in the financial statements based on the reconciliations prepared by the management.

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
	157,017	-	157,017	-

Note 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 in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and

Types of products and services by segment

(i) Distribution

The distribution segment distributes Heritage Brands Limited (Formerly Soda Brands Limited)'s brand and Innox brand items both domestically and internationally.

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Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(d) Unallocated items

The following item of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Retirement benefit obligations

(e) Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

(i) Segment performance

	Distribution - Soda \$	Distribution - Innoxia \$	Total \$
31 July 2010			
REVENUE			
External sales	1,178,093	5,860,599	7,038,692
Inter-segment sales	-	-	-
Interest revenue	624	2,100	2,724
Total segment revenue	1,178,717	5,862,699	7,041,416
<i>Reconciliation of segment revenue to group revenue</i>			
Other revenue	-	-	52,924
Total group revenue			7,094,340
Segment loss before tax	(686,032)	(2,032,350)	(2,718,382)
<i>Reconciliation of segment result to group net profit/loss before tax</i>			
Net profit before tax from continuing operations			(2,718,382)

	Distribution - Soda	Distribution - Other	Total \$
31 July 2009			
REVENUE			
External sales	2,326,730	36,174	2,362,904
Inter-segment sales	-	-	-
Interest revenue	1,482	-	1,482
Total segment revenue			2,364,386
<i>Reconciliation of segment revenue to group revenue</i>			
Inter segment elimination			-
Total group revenue			2,364,386
Segment net loss before tax			(6,212,318)
<i>Reconciliation of segment result to group net profit/loss before tax</i>			
Net profit before tax from continuing operations			(6,212,318)

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(ii) Segment assets

	Distribution - Soda \$	Distribution - Innoxia \$	Total \$
31 July 2010			
Segment assets			4,316,942
Segment asset increases for the period:			
— acquisitions	2,004,063	1,243,713	3,247,776
	<u>2,004,063</u>	<u>1,243,713</u>	<u>3,247,776</u>
Total group assets			<u>4,316,942</u>
	Distribution - Soda \$	Distribution - Innoxia \$	Total \$
31 July 2009			
Segment assets			1,069,166
Segment asset increases for the period:			
Total group assets			<u>1,069,166</u>

(iii) Segment liabilities

	Distribution - Soda \$	Distribution - Innoxia \$	Total \$
31 July 2010			
Segment liabilities			3,631,121
Total group liabilities			<u>3,631,121</u>
	Distribution - Soda \$	Distribution - Innoxia \$	Total \$
31 July 2009			
Segment liabilities			1,527,635
Total group liabilities			<u>1,527,635</u>

(iv) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	31 July 2010 \$	31 July 2009 \$
Australia	7,036,017	2,326,730
New Zealand	2,675	36,174
Total revenue	<u>7,038,692</u>	<u>2,362,904</u>

(v) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	31 July 2010 \$	31 July 2009 \$
Australia	4,316,939	1,200,621
New Zealand	1	(131,457)
United Kingdom	2	2
Total Assets	<u>4,316,942</u>	<u>1,069,166</u>

(vi) Major customers

The Group has a number of customers to whom it provides both products and services.

Note 23 Cash Flow Information

	Consolidated Group		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Profit after income tax	(2,718,382)	(6,212,318)	(827,890)	(6,218,878)
Non-cash flows in profit				
Depreciation	183,483	78,365	32,096	78,365
Impairment of goodwill	-	3,808,961	-	3,808,961
Net (gain)/loss on disposal of property, plant and equipment	-	56,006	-	56,006
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(663,257)	75,409	161,648	393,374
(Increase)/decrease in other assets	(70,635)	304,321	51,048	304,324
(Increase)/decrease in inventories	(385,032)	1,077,890	511,313	1,051,136
Increase/(decrease) in trade payables and accruals	(223,016)	517,487	(285,203)	588,777
Increase/(decrease) in other payable	-	(868,724)	-	(1,069,739)
Increase/(decrease) in provisions	208,339	(24,001)	(14,679)	(9,322)
Cash flow from operations	<u>(3,668,501)</u>	<u>(1,186,803)</u>	<u>(371,666)</u>	<u>(1,016,996)</u>

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(b) Acquisition of Entities

During the year 100% ownership interest in Innoxia Group Pty Ltd was acquired. Details of this transaction are:

Purchase consideration
Consisting of:

— Cash consideration

Total consideration

	1	-	-	-
	1	-	-	-
Assets and liabilities held at acquisition date:				
Cash	788,389	-	-	-
Receivables	2,113,444	-	-	-
Inventories	1,438,487	-	-	-
Property, plant and equipment	572,234	-	-	-
Payables	(6,462,055)	-	-	-
	(1,549,501)	-	-	-
Goodwill on consolidation	1,549,502	-	-	-
	-	-	-	-

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisition of Innoxia Group Pty Ltd.
No amount of the goodwill is deductible for tax purposes.

Note 24 Share-based Payments

- (i) On 01 December 2006, 1,750,000 share options were granted to directors to take up ordinary shares at an exercise price of 25cents each. On 28 October 2009, the directors resolved to cancel 1,500,000 options previously issued to directors as share based payments. The remaining options are exercisable on or before 31 July 2012. The options hold no voting rights and are not transferable.

A summary of the movements of all company options issued is as follows:	Consolidated Group		Parent Entity	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding as at 31 July 2008	1,750,000	25c	1,750,000	25c
Granted	-	-	-	-
Outstanding as at 31 July 2009	1,750,000	-	1,750,000	-
Forfeited/ cancelled	1,500,000	25c	1,500,000	25c
Outstanding as at 31 July 2010	250,000	-	250,000	-
Options exercisable as at 31 July 2010:	250,000	25c	250,000	25c
Options exercisable as at 31 July 2009:	1,750,000	25c	1,750,000	25c

Included under employee benefits expense in the statement of comprehensive income is \$nil which relates to equity settled share based payment transactions (2009: nil), since the exercise price of options is higher than the the quoted share price.

Note 25 Events After the Reporting Period

1. At an Extraordinary meeting of shareholders held on 06 August 2010 the shareholders of the company:
 - Approved the purchase of 100% interest in Creative Brands Pty Ltd (CB), in consideration for the issue by the company of 217,762,810 ordinary shares and the appointment of following former associates of CB as directors of the Company:
 - a) William McCartney
 - b) Stephen Leslie Mason
 - c) Stephen Donald Alfred Goodey
 - d) Peter Henry Townsend Cox
 - Approved change of company name from Soda Brands Limited to Heritage Brands Limited to better reflect the brand value of the group.
2. Name of the company was changed to Heritage Brands Limited on 12 August 2010.
3. The share sale agreement between Heritage Brands Limited and CB was executed on 10 August 2010.
4. The executive service agreement with Stephen Donald Alfred Goodey as per terms of sale agreement was executed on 10 August 2010.
5. A deed of equalisation for new loans to be provided by incoming directors was executed on 20 August 2010.
6. A loan agreement for new facilities from shareholders amounting to \$2.8 millions was executed on 20 August 2010.
7. New shares issued to CB were listed on NSX on 10 August 2010.
8. New Loans amounting to \$962,857 were received from shareholders to the group.
9. Operations were amalgamated and relocated to CB premises in Melbourne, in August 2010.
10. A liability of \$ 227,555 accrued in relation to redundancy of staff due to moving of operation in Victoria.

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Note 26 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Ultimate Parent Company

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash loan from ultimate parent entity, Souls Private Equity Limited (SPEL)	-	315,288	-	315,288
Payment of interest on cash loans provided by SPEL	-	15,288	-	15,288
Other payables to SPEL	-	95,441	-	95,441

(b) Other Related Parties

Cash loan from major shareholder - Maximize Equity Pty Ltd (MEPL)	385,000	314,597	-	314,597
Cash loan from major shareholder - Soul Private Equity Ltd (SPEL)	385,000	-	-	-
Payment of interest on cash loans provided by MEPL	47,470	14,596	13,981	15,296
Payment of interest on cash loans provided by SPEL	48,138	-	15,605	-
Other payables to Incolabs Pty Ltd	-	77,736	-	77,736
Payment of management fees	189,701	-	-	-

(c) Wholly owned subsidiaries

Receivables from - Soda Brands (NZ) Pty Ltd	-	-	-	171,111
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(d) Identification of Related Parties

Souls Private Equity Limited held 47.93% of the issued share capital of the parent entity as at 31 July 2010 (2009: 50.27%) and Maximize Equity Pty Ltd held 38.12% of the issued capital of the parent entity (2009: 0%).

Note 27 Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	8	354,136	19,679	50,991	18,022
Loans and receivables	9f	950,213	286,955	3,005,358	439,737
Total Financial Assets		<u>1,304,349</u>	<u>306,634</u>	<u>3,056,349</u>	<u>457,759</u>
Financial Liabilities					
Financial liabilities at amortised cost					
— Trade and other payables	16	2,652,782	897,750	486,512	887,347
— Borrowings		770,000	629,885	-	629,885
Total Financial Liabilities		<u>3,422,782</u>	<u>1,527,635</u>	<u>486,512</u>	<u>1,517,232</u>

Financial Risk Management Policies

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

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Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 12(e) for details).

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group has significant credit risk exposures to Australia given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 9.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the Board. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA+. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash and cash equivalents					
- AAA Rated		354,136	19,679	50,991	18,022

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group has borrowings from its ultimate holding company and other related entities/ shareholders on fixed rates of interest and not exposed to any material interest rate risk.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent is considered immaterial and is therefore not shown.

	Net financial assets/(liabilities) in AUD \$		
	NZD	AUD	Total AUD
2010			
Consolidated			
Functional currency of Group entity			
Australian Dollars	-	685,820	685,820
New Zealand Dollars	1	-	1
Statement of financial position exposure	1	685,820	685,821
2009			
Consolidated			
Functional currency of Group entity			
Australian Dollars	-	(316,611)	(316,611)
New Zealand Dollars	(141,858)	-	(141,858)
Statement of financial position exposure	(141,858)	(316,611)	(458,469)

iii. Price risk

The group is exposed to price risk in respect of packaging, raw material and finished goods prices.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

	Footnote	2010		2009	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
Consolidated Group					
Financial assets					
Cash and cash equivalents	(i)	354,136	354,136	19,679	19,679
Trade and other receivables	(i)	950,213	950,213	286,955	286,955
Total financial assets		1,304,349	1,304,349	306,634	306,634
Financial liabilities					
Trade and other payables	(i)	2,652,782	2,652,782	897,750	897,750
Other debt	(ii)	770,000	770,000	629,885	629,885
Total financial liabilities		3,422,782	3,422,782	1,527,635	1,527,635
Parent Entity					
Financial assets					
Cash and cash equivalents	(i)	50,991	50,991	18,022	18,022
Trade and other receivables	(i)	3,005,358	3,005,358	439,737	439,737
Total financial assets		3,056,349	3,056,349	457,759	457,759
Financial liabilities					
Trade and other payables	(i)	486,512	486,512	887,347	887,347
Other debt	(ii)	-	-	629,885	629,885
Total financial liabilities		486,512	486,512	1,517,232	1,517,232

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables includes amounts provided for relating to annual leave.
- (ii) Other debts are borrowings from ultimate parent company/ other major shareholders, whose carrying value is equivalent to fair value.

Note 28 Company Details

The registered office and the principal place of business of the company is:
Heritage Brands Limited (Formerly Soda Brands Limited)
30 Bando Road
Springvale
VIC 3171


**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 35, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 31 July 2010 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company 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 company will be able to pay its debts as and when they become due and payable.

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

Director



FAIRFULL David John (Non-exec Chairman)

Dated this 28th day of October 2010



**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED)**

Report on the Financial Report

We have audited the accompanying financial report of Heritage Brands Limited (Formerly Soda Brands Limited) (the company) and Heritage Brands Limited (Formerly Soda Brands Limited) and controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 July 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED)**

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Heritage Brands Limited (Formerly Soda Brands Limited) on 29 October 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

a. the financial report of Heritage Brands Limited (Formerly Soda Brands Limited) and Controlled Entities is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the company and consolidated entity's financial position as at 31 July 2010 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a Going Concern

Without qualification to the audit opinion expressed above, we draw attention to Note 1 in the financial statements, which states that to continue as a going concern the Group requires additional funding to be secured within the next year from sources including:

- * deferment of the repayment of existing borrowings from the major shareholders,
- * raising additional borrowings from major shareholders,
- * equity capital raising, and
- * the generation of sufficient funds from operating activities, subsequent to the acquisition of 100% interest in the Creative Brands Pty Ltd and consolidation of the business activities in Victoria.

If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 July 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Heritage Brands Limited (Formerly Soda Brands Limited) for the year ended 31 July 2010, complies with section 300A of the Corporations Act 2001.

Name of Firm: Rothsay Chartered Accountants

Name of Partner: Frank Vrachas

Address: Level 1, 12 O'Connell Street
Sydney NSW 2000

Dated this 29th day of October 2010

HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number	
	Ordinary	Redeemable
1 – 1,000	-	-
1,001 – 5,000	2	-
5,001 – 10,000	93	-
10,001 – 100,000	127	-
100,001 – and over	42	-
	<u>264</u>	<u>-</u>

b. The number of shareholdings held in less than marketable parcels is nil.

c. The names of the substantial shareholders listed in the holding company's register as at 31 July 2010 are:

Shareholder	Number	
	Ordinary	Preference
Souls Private Equity Limited	114,962,106	-
Maximize Equity Pty Ltd	91,431,644	-
Kistani Holdings Pty Limited	11,369,060	-
Mr Christopher Mc Gibbon	3,070,000	-
Avenue Investments (Aust) Pty Ltd	1,275,000	-

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares	% Held of Issued Ordinary Capital
	Held	
1. Souls Private Equity Limited	114,962,106	47.93%
2. Maximize Equity Pty Ltd	91,431,644	38.12%
3. Kistani Holdings Pty Limited	11,369,060	4.74%
4. Mr Christopher Mc Gibbon	3,070,000	1.28%
5. Avenue Investments (Aust) Pty Ltd	1,275,000	0.53%
6. STYLZ Franchising Pty Ltd	1,200,000	0.50%
7. Hair Fx Australia Pty Ltd	723,405	0.30%
8. Fairfull Nominees Pty Ltd	713,000	0.30%
9. D J Fairfull Pty Ltd	620,000	0.26%
10. Herway Pty Ltd	548,106	0.23%
11. Frank Boffa Pty Limited	548,106	0.23%
12. Cordony Salons Pty Ltd	548,106	0.23%
13. Cordony & Co Pty Ltd	548,106	0.23%
14. Chris Boffa Pty Ltd	548,106	0.23%
15. Murang Pty Ltd	496,000	0.21%
16. Mrs Mary Ghattas &	466,667	0.19%
17. Scarf Family-Superannuation	279,470	0.12%
18. Mr Phillip Anthony Riolo	279,000	0.12%
19. Tidereef Pty Ltd	261,000	0.11%
20. Sagittarius Pty Ltd	248,000	0.10%
	<u>230,134,882</u>	<u>95.95%</u>

f. 20 Largest Shareholders — Redeemable Preference Shares

Number of Redeemable Preference Fully Paid Shares Held	% Held of Issued Redeemable Preference Shares
<u>nil</u>	<u>nil</u>

**HERITAGE BRANDS LIMITED (FORMERLY SODA BRANDS LIMITED) ABN: 91 081 149 635
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

2. The name of the company secretary is McGIBBON Christopher William.
3. The address of the principal registered office in Australia is 30 Bando Road, Springvale, VIC 3171. Telephone 03 9574 2100.
4. Registers of securities are held at the following address
30 Bando Road, Springvale, VIC 3171
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the National Stock Exchange Limited.
6. **Unquoted Securities**
Options over Unissued Shares
A total of 1,000,000 options are on issue.

Heritage Brands Limited (Formally Soda Brands Ltd) and Controlled entities

Chairman's Report

The group incurred a loss of \$2.7m for the 12 months ended 31 July 2010 which is a significant improvement over the previous year (Loss: \$6.2m) although not meeting expectations.

As reported last year the group was not expected to break even until the second half of the current year. Tough retail conditions continued to handicap the recovery predicted and with the successful acquisition of the Innoxia Group in November 2009, this allowed the decline to stabilise. It became obvious that the scale of the group could not withstand the current market conditions and management actively pursued the acquisition of Creative Brands Pty Ltd. This transaction was approved in general Meeting on the 6th August 2010 and the subsequent closure of the Sydney operation has enabled the Group to harvest the synergies expected.

The major shareholders, Soul Private Equity Ltd and Maximize Equity Pty Ltd have continued to support the group as the group transitions toward the merger as detailed to the Shareholders in August. These loans equate to \$0.77m as at 31 July 2010.

Future Developments include a plan to organically and by acquisition, grow the business into a \$50m Turnover group within two years. Integral to this strategy was the divestment of the Professional Hair Division 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, and Revlon nails, Fing'rs, Nailene, Innoxia and Imedeen.

The first quarters trading of the reinvigorated company in Melbourne has been encouraging and the new Management team are progressing toward their goals, supported by the experience of the new Board of Directors voted in at the August 2010 General Meeting. Unaudited results at September 2010 include Sales of \$5.0m with an EBITDA of \$1.0m

David Fairfull
Chairman
28 October 2010