

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

Chairman's Report

Revenues at \$13.1m compare to the prior year of \$3.1m and this growth is a direct result of the change in strategic direction for the group as outlined in my report for the Year ended 31 July 2010.

The group achieved an EBITDA of \$2.0m (2010: Loss \$385k) for the six months ended 31 January 2011 which is a significant improvement over the previous year and ahead of expectations for the period. The Profit after Tax of \$306k compares to a Loss of \$540k for the six months ended 31 January 2010.

The acquisition of Creative Brands Pty Ltd and the closure of the Sydney operation in August have been bedded down successfully and the Group is achieving the targets set by management. Closure costs of \$970k have been accounted for during this period.

The major shareholders have continued to support the group by way of interest bearing loans and a further \$2.0m was provided during the six months together with a pledge of a further \$2.8m should the need arise. These loans equate to \$2.8m as at 31 January 2011.

Future Developments include a plan to organically and by acquisition, grow the business. The Board considers that the Industry is ripe for consolidation and the Company has developed the resources to leverage its business needs to become a contributory participant in that process

The first half trading of the reinvigorated company in Melbourne has been encouraging and the new Management team are progressing toward their goals. Retail sentiment during the second half of the year is expected to dampen sales demand and early signs support this view.

David Fairfull
Chairman