Heritage Brands Limited (HBL)

Welcome to the 6th Annual General Meeting

As a Listed Public Company

29th November, 2012

To be held at HBL's Head Office, 30 Bando Road, Springvale, Melbourne, Victoria

at

11.00am (AEST)

Agenda

- 2011/2012 Financial Year Performance
- Year to date Performance for 3 months to 31st October, 2012
- Corporate issues
- Future outlook
- Conclusion

Heritage Brands Limited and Controlled Entities

Chairman's Report

2011/2012 Financial Year Performance

The Heritage Brands Group delivered a satisfactory result considering the depressed retail markets, with net sales up 5.8% and EBITDA up 24% vs. last fiscal year. The 3 year company financial summary reflects positive growth as follows:

	2012 $'000	2011 $'000	2010 $'000
Gross Revenue	30,857	29,145	7,094
EBITDA	2,483	2,023	(2,362)
Earnings after Tax	1,260	(408)*	(2,718)

* These figures were achieved after charging relocation one off expenses of $982K

The improvement in results is due to effective marketing and trade spend, niche consumer marketing, intense stock management, focus on sales forecasting and financial discipline. In late June 2012 the Company acquired two leading Aromatherapy brands in a transaction which was funded internally. The acquisitions are a good strategic fit and the new brands, *In Essence* and *Oil Garden*, are expected to deliver increased sales and contribution and open up Health Stores as a retail channel.

The Heritage Brands Group owns the *Australis, Mode, Innoxa, In Essence* and *Oil Garden* brands and distributes under license the *Nailene, Fing'rs, Revlon Nails, Imedeen, Le Tan, Cedel* and *Hello Kitty* Cosmetics brands.

The current retail outlook is gloomy and we expect consumer confidence to remain low. In increasingly competitive markets we will aim to maintain our core brands and strive to grow by brand acquisitions.

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Year to date Performance for 3 months to 31st October 2012

Unaudited Management Accounts for 3 months to 31st October, 2012

'000's	YTD Oct 2011	YTD Oct 2012	Forecast Oct 2012
Sales	8,747	10,059	10,587
Margin	4,819	5,471	5,953
Marketing	724	1,100	1,299
Expenses	3,446	3,608	3,950
EBITDA	649	763	704
Depreciation	152	108	113
Interest	227	191	198
Normalised EBT	270	464	393

As can be seen from the foregoing figures the unaudited management accounts show an increase across the board in all of the major financial figures when one compares the 3 months to 31st October, 2011 with 3 months to 31st October, 2012. However when you compare 3 months to 31st October, 2012 with forecast for 3 months to 31st October, 2012 we find that while EBITDA and EBT are up 8.4% and 18.1% respectively, sales are down some 4.9%. The above percentage comparatives are as follows:-

Comparison of 3 months to 31st October 2012 with 3 months 31 October 2011 and Forecast

	2011/2012	Forecast
Sales	+14.9%	-4.9%
EBITDA	+17.6%	+8.4%
EBT	+71.9%	+18.1%

The downturn in sales for the 3 months to 31st October, 2012 verses forecast does highlight the current gloomy retail outlook and lack of consumer confidence as depicted virtually every day in the media. In this regard we are particularly worried about the "real" unemployment rates in Australia and the effect this is having on not only the economy but the Australian work force in general.

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Corporate Issues

HBL's mission remains as follows:-

"To be a respected brand owner in personal care delivering over $100 million sales at a healthy profit within 5 years".

During the 12 months to 31st July, 2012 we have continued to pursue acquisitions in order to deliver our "mission". In this regard we acquired two leading aromatherapy brands, "In Essence" and "Oil Garden". These acquisitions are a good strategic fit and have already contributed positively to our bottom line and also opened up health stores as a new retail channel for HBL to tap into.

It is our intention to continue to pursue acquisitions in the 2012/2013 financial year but we will only pursue companies and/or brands that are a good strategic fit with HBL and represent what we consider are true "Heritage Brands".

No doubt like many of our competitors we have been approached during the financial year by a number of firms expressing interest to possibly invest and/or undertake capital raising programmes. None of these confidential proposals has resulted in any formal proposals being received as at 31st July, 2012. Shareholders can rest assured that HBL Directors and Management will be in immediate contact should any genuine formal approach be received.

Directors and Senior Management will continue to review the corporate restructuring of HBL in an effort to strengthen the balance sheet to insure the future growth of the business.

Future Outlook

Recent media reports on the current and future outlook for retail and consumer confidence are gloomy to say the least. One only has to walk through the shopping centres to notice the number of shops closing down.

The recent turn down in our revenue streams versus forecast for the three months to 31st October, 2012 mirrors the same bearish scenario. However we have been able to contain costs (down 8.6%) and deliver 'above the forecast' profit figures for the first 3 months of the year. Likewise our current projections for the balance of the year to 31st July, 2013 are still showing reasonable growth on the previous fiscal year. HBL management have committed to a strategy of cost containment while at the same time stepping up our business development activity.

Conclusion

HBL's management will continue to drive the business for forecast growth. In this regard we must congratulate our management team and staff for their efforts in delivering a very creditable performance in 2011/2012 fiscal year. Likewise the delivery of an above forecast EBITDA and EBT for the 3 months to 31st October, 2012 in what can only be described as a gloomy retail environment is an excellent achievement.

Subject to no unforeseen circumstances we continue to be hopeful in delivering above forecast and last years performance in the 12 months to 31st July, 2013. Obviously the current outlook for the Australian economy over the next 9 months which unfortunately is "bearish" according to the "pundits" will play a major role in our ability to deliver the expected growth.

In closing we wish to thank all staff and shareholders for their continued support. May we also wish staff and shareholders a healthy and happy festive season and a successful 2013 New Year.

DJ Fairfull
Chairman